HEARINGS

BEFORE THE COMMITTEE ON REFORM IN THE CIVIL SERVICE

OF THE HOUSE OF REPRESENTATIVES, UNITED STATES

RETIREMENT FUND FOR SUPERANNUATED EMPLOYEES IN THE CIVIL SERVICE

MARCH 10, 11, 13, 20, and 21, and APRIL 13, 1908

COMMITTEE ON REFORM IN THE CIVIL SERVICE

SIXTIETH CONGRESS

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WASHINGTON
GOVERNMENT PRINTING OFFICE
1908

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RETIREMENT FUND FOR SUPERANNUATED EMPLOYEES IN THE CLASSIFIED CIVIL SERVICE.

THE COMMITTEE ON REFORM IN THE CIVIL SERVICE,
Tuesday, March 10, 1908.

The committee this day met (Hon. Frederick H. Gillett in the chair) for the consideration of measures to establish a retirement fund for superannuated employees in the classified civil service. The measures immediately before the committee were the report of the subcommittee on personnel, of the Committee on Department Methods, the so-called Keep Commission, with an accompanying bill (Appendix B), and the bill suggested by Mr. Herbert D. Brown, of Chicago, formerly of the Department of Commerce and Labor, and introduced by Hon. F. H. Gillett (Appendix A).

There were present: Messrs. Herbert D. Brown, of Chicago; John W. Holcombe, Interior Department; A. Zappone, Department of Agriculture; George W. Leadley, Department of Commerce and Labor; and John C. Scofield, War Department, of the Committee on Department Methods.

The CHAIRMAN. Mr. Brown, will you kindly explain your scheme to the committee?

STATEMENT OF MR. HERBERT D. BROWN, OF CHICAGO.

Mr. Chairman and gentlemen of the committee, it may not be out of place to preface what I have to say in regard to the retirement plan I wish to present to you by a brief reference to some of the other plans of retirement that have been proposed, in order that the basis of this plan may be more easily understood. When I first came to Washington, five or six years ago, the subject of retirement for the aged Government employees was receiving much attention, and a number of plans had been proposed. The subject being kindred to that of insurance, I was naturally interested in it. I accordingly made an examination of the various plans, and, on analysis, I found that, in a general way, they fell into two classes:

First, those proposing the payment of annuities to the superannuated out of the Federal Treasury; and,

Second, those proposing a uniform deduction of a given per cent—more or less adequate for the purpose in view—from the salaries of all employees to create a general fund out of which to pay annuities to retiring employees. This second class may properly be subdivided into two divisions:

(*a*) Those proposing a uniform deduction of a given per cent from all salaries and the payment of annuities based upon length of service; and

(*b*) Those proposing a uniform deduction of a given per cent from all salaries and the payment of a uniform annuity regardless of length of service.

The first group of plans—those proposing the payment of annuities out of the Federal Treasury—are, of course, civil pensions, and, in view of the public sentiment against such measures, need not be discussed.

The second group of plans—those proposing a uniform deduction of a given per cent from all salaries to provide a general fund out of which to pay annuities to employees—aside from their financial uncertainties, proved in every instance, on analysis, to be inequitable as between employees of different ages. This is true whether the annuity paid is uniform or is based on length of service.

To illustrate the unfairness of this group of plans, let us consider, first, the results of plans proposing a uniform deduction of a given per cent from all salaries and the payment of annuities based upon length of service. Let us see, for instance, if by making a uniform deduction of 5 per cent from salaries of $100 per month it will be possible to establish annuities for men entering the service at different ages on that salary, and what the annuities will amount to. Take two men entering the service, one aged 20 and the other aged 60, each receiving $100 a month, and deduct 5 per cent of that salary, or $5 a month, with the object of paying each man on retirement an annuity based on his length of service. Is it feasible? The man of 20 will have fifty years to serve before reaching the age of retirement and the man of 60 only ten years. Now, a deposit of $5 a month will earn much more interest in a period of fifty years than it will in ten years. Just what is the difference in this concrete case? Reference to an interest table shows us that a deposit of $5 a month for fifty years, improved by 4 per cent compound interest, amounts to $9,357.40, which is sufficient to purchase from most insurance companies a life annuity of $1,261.10, beginning at age 70, first payment in one year; but the same table shows also that a deduction of 5 per cent from the same salary beginning at the age of 60 years will provide a fund, on retirement at age 70, of only $735.90, and this amount would purchase an annuity at age 70 of but $99.18 a year, a sum too small to support any employee, however simple his needs. To make this plan practical it would therefore be necessary to put the deductions from all employees' salaries into a general fund and divide it among all the annuitants in proportion to their length of service. This arrangement would be exceedingly unfair, however, to the men who entered the service at an early age, as part of their savings would go to make up the annuities for the men already old in the service when the plan was put into operation, or who came into the service at an advanced age. Under such an arrangement the man who entered the service at 60 and served only ten years would be retired on more than $99.18 it is true, but to have it so, the man who had entered at 20 and worked for fifty years would have to give up part of the $1,261.10 his savings had earned and content himself with a smaller annuity, a plan that seems indefensible, as it actually takes the money of one man to put it into the pocket of another who is less meritorious, judged by the standard of length of service. (Appendix C, Table IV.)

Consider next the second class of plans under this group, namely, those proposing a uniform deduction of a given per cent from all salaries for the purpose of creating a general fund out of which to pay uniform annuities to all employees on retirement. This is still more unfair to the long-service men, as we shall see. Suppose it is desired to retire all employees receiving $1,200 salary on three-quarters pay, or $900 a year. The price charged by many of the insurance companies for a life annuity of $900 a year, beginning at age 70, first payment in one year, is $6,678. To accumulate $6,678 during a service of fifty years requires a monthly deduction from a monthly salary of $100 of but $3.57 if the deductions are improved by 4 per cent compound interest. That is all the man beginning at age 20 would have to set aside each month. But, on the other hand, to accumulate $6,678 during the ten years of service of a man who entered the service at 60, or who was already 60 years of age when the plan was put into operation, would require a deduction from a monthly salary of $100 a month of $45.37, or 45.37 per cent—an impossible deduction under any circumstance. To make this plan practical it is therefore necessary to decide upon a per cent to be deducted from all salaries which shall be sufficiently large to accumulate not merely annuities for those entering the service at an early age, but also to provide the amounts that the older men lack to retire themselves on the same annuity. It thus appears that this plan puts even a greater penalty than does the first on entrance into the service at an early age. (Appendix C, Table V.)

These illustrations are sufficient, I think, to show how impossible it is to devise an equitable plan as between all employees of various ages, based upon a uniform deduction of a given per cent from all salaries, either to pay annuities based upon length of service or to pay uniform annuities to all employees upon retirement at a given age.

Aside from the inequitable phase of all of these plans, there arises the very difficult and perplexing actuarial problem of what annuity could safely be paid where the fund is created by a uniform deduction of a given per cent from all salaries, or what per cent of salaries would be required to create the fund when more or less uniform annuities are paid. In many instances the uncertainty of these complex problems is further complicated by relying for a portion of the fund upon forfeiture of interest or principal, or both, by those who resign or die prior to reaching the retirement age, and if the establishment of the fund has any influence upon resignations, as it is intended to have, the very foundation of this estimate is entirely undermined. Besides, these plans usually put a premium on entering the service at advanced ages, since the total contributions by persons so entering are much less in proportion to the annuities they receive by reason of their shorter period of service, whereas the interests of the service demand that the reverse should obtain.

Since any error of judgment as to what might be accomplished in the way of annuities by a uniform deduction of a given per cent from all salaries would undoubtedly mean a call upon Congress for assistance, and possibly lead to the establishment of a civil pension, it seemed probable that any plan that contemplated the commingling of assets and that was dependent upon uncertain elements, such as length of service, resignations, salary increase, deaths, forfeitures, and the like, could not meet with favor on final analysis.

After considering all these facts, I came to the conclusion that any plan for the retirement of superannuated civil-service employees for which the approval of employees themselves and the public alike is desired must meet the following conditions:

(1) The funds necessary for the payment of the annuities must be furnished by the employees themselves without expense to the Government other than possibly the payment by the Government of a reasonable rate of interest on the money held by it and the payment of salaries to the clerical force required to keep the accounts and distribute the funds.

(2) Each employee must set aside the amount necessary to create his own annuity, without regard to the deposits of others, so that each employee may receive full return on the money set aside by him.

(3) The annuities to be paid employees on retirement must be graduated according to length of service and amount of salary, and in such manner that the monthly deposits required from employees for the creation of such annuities shall be in no case excessive.

(4) The annuities, if any, for services rendered prior to the adoption of the plan should be paid by the Government, rather than by any form of tax upon the younger employees.

(It was for this last reason I decided that the plan should be divided into two parts: That the first part, which is really the plan proper—since the operation of the second part will ultimately cease with the death or separation from the service of all the present employees—should provide annuities for employees rendering service from now on, and the second part should provide annuities for employees who rendered service prior to the adoption of the plan. This sharp division was made primarily in the interest of the long-service employee—and incidentally the public service also—so that every employee would receive the full benefit of his savings and every employee receive the same annuity as if his deposits had begun with his entrance into the service. Let us consider at present only the first part of the plan.)

Having adopted these principles as essential to an equitable plan of retirement, the practical question presents itself of what annuity may be thought reasonable for a person who has given his entire working life—from the age of 20 to 70 years—to the Government service. It seemed to me that such a person should be retired on at least "three-quarters pay," or 75 per cent of his salary. If this is a reasonable assumption, a convenient basis for computing annuities for periods of service longer or shorter than fifty years may be established by dividing 75 per cent by fifty years of service. This gives 1.5 per cent for each year of service as the basis for computing annuities for all other periods of service. For example, the annuity for forty years of service—that is, for a person entering the service at age 30 and retiring at age 70—would be determined by multiplying 40 by 1.5, which would give us 60 per cent of salary. For a person entering the service at age 40, and having thirty years to serve before reaching the retirement age, the annuity would be computed by multiplying 30 by 1.5, which would give us 45 per cent of salary. And so on down, so that a person entering the service at 60 years of age, and having ten years to serve, would provide an annuity for himself equal to 1.5 per cent of his pay for each of his ten years of service, or 15 per

cent. This provision has the advantage of giving the largest annuity in proportion to salary to the employee serving the longest period.

The second practical question is to determine what per cent of salaries at various ages of entrance into the service would have to be set aside by each individual in order to provide himself with an annuity equal to 1.5 per cent of his salary for each year of service. To illustrate: If a person enters the service at the age of 20 years and retires at 70 years of age, he will have been in the service fifty years. To make the illustration simple, let us assume that he received a salary of $1,200 per annum straight through. One and one-half per cent of this annual salary is $18. By multiplying this amount, $18, by 50, his number of years of service, we have $900, or the amount of the annuity we wish to provide for on arrival of the employee at the age of retirement.

The price charged a male by many of the insurance companies for $100 annuity at the age of 70 years is $742. Therefore, on this basis the cost of an annuity of $900 beginning at age 70 would be 9 times $742, or $6,678. This last-named figure is accordingly the amount that the employee would be required to accumulate during his fifty years of service to purchase this annuity. Now, the next step in our calculation is to ascertain the amount the employee would be required to lay aside monthly in order to accumulate $6,678 during his fifty years of service. By referring to an interest table we find that a deposit of $1 a month improved by 4 per cent interest, compounded annually, in fifty years amounts to $1,871.48. Therefore it would require a deduction from this employee's pay of as many dollars a month as $1,871.48 is contained in $6,678, or $3.57 a month. Three dollars and fifty-seven cents being the deduction from a salary of $100, it also represents the per cent to be deducted from all other salaries of persons entering the service at 20 years of age where the retirement age is to be 70 years. This process of obtaining the required deduction from the employee's pay seems rather complicated, but in actual practice the operation is very simple, and may be further simplified by reducing the deductions from various salaries at all ages to a set of tables. The figures on this slip of paper are all that are necessary to determine the amount.

Mr. Douglas. How do you get the divisor?

Mr. Brown. The divisor, $1,871, is the amount of $1 per month compounded at 4 per cent per annum for fifty years. If you divide $6,678, the necessary amount to purchase the annuity, by $1,781, you get the monthly deduction.

Mr. Douglas. What is the average length of service in the Departments?

Mr. Brown. I have not any idea. That would be very difficult to tell.

Mr. Douglas. I presume very few of the employees remain fifty years?

Mr. Brown. That is almost the maximum. I might be able to ascertain the average length of service by making a study of the records of the Civil Service Commission, but so far I have not done that.

Mr. Edwards. The deduction amounts to $3.57 cents a month?

Mr. Brown. Yes, sir; that is the deduction that would be made from the salary of a person entering the service at 20 years of age at a

salary of $100 per month. The deduction, of course, increases as the age of entering the service increases. The deduction from a salary of a person entering the service at a given age remains the same and only increases as his salary increases.

The CHAIRMAN. Suppose a man had only twenty years' service; give us an illustration of that.

Mr. BROWN. If a man entered the service at 50 years of age and retired at 70 years of age, he would be required to provide for himself an annuity of 30 per cent of his salary, that is, 1½ per cent of his salary for each of the twenty years, and the cost of that would be determined in the same way as the illustration I have just given. In this instance, if the employee's salary was $1,200 per annum, the annuity to be provided would be determined by multiplying 1½ per cent of $1,200, or $18, by 20, his years of service between the ages of 50 and 70. This gives us $360, which is the amount of the annuity to be provided for. As in the former instance, the cost of an annuity of $100, beginning at age of 70, is $742. By multiplying $742 by 3.6, the number of hundred dollars of annuity, we determine the amount to be accumulated during the employee's twenty years' of service, or $2,671. This figure, divided by the amount to which a deposit of $1 per month will accumulate in twenty years if compounded annually at 4 per cent, or $365, gives us the monthly deduction from his salary, which is $7.32.

Mr. DOUGLAS. As I understand it, this is a suggestion that the Government or the employee shall voluntarily deduct this amount each month from his salary?

Mr. BROWN. It should be a compulsory deduction.

Mr. DOUGLAS. You deduct from his salary each month such a sum as will purchase for him an annuity at the end of a given period of service?

Mr. BROWN. Yes, sir.

Mr. EDWARDS. The services are in three groups, as I understand it?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Will you please read the bill which you have suggested?

Mr. BROWN. Yes, sir.

That beginning with the first day of July next following the passage of this act there shall be deducted and withheld from the monthly salary, pay, or compensation of every officer or employee of the United States to whom this act applies an amount that will be sufficient, with interest thereon at four per centum per annum, compounded annually, to purchase from the United States, under the provisions of this act, an annuity for every such employee on arrival at the age of retirement as hereinafter provided equal to one and one-half per centum of his annual salary, pay, or compensation for every full year of service or major fraction thereof between the date of the passage of this act and the arrival of the employee at the age of retirement.

The CHAIRMAN. What is the age of retirement?

Mr. BROWN. Three ages of retirement are contemplated—60, 65, and 70 years of age. A man engaged in one of the more strenuous occupations, such as the railway mail service, would require an earlier retirement age than a person employed as a clerk. It would seem that a man actively engaged in the railway mail service up to 60 years of age would be ready to retire. The age of 65 would apply to employees such as letter carriers, and 70 years of age to clerks.

Mr. Edwards. It is compulsory at those ages, under this bill, for them to retire?

Mr. Brown. Yes, sir; It is compulsory, but there is a provision in the bill that the employee may be retained in the service after that time if he is mentally and physically qualified to perform his duties.

The deductions hereby provided for shall be based on such annuity table as the Secretary of the Treasury may direct, and interest at the rate of four per centum per annum, compounded annually, and shall be varied to correspond to any change in the salary of the employee.

The Chairman. What do you mean by that last sentence?

Mr. Brown. At each increase in salary the deduction from the employee's pay would be correspondingly increased. The increased deduction would be based on the amount of the increase in salary and the term of years remaining before attaining the age of retirement. The amount thus obtained would be added to the deduction that was being made under the old salary. For example, let us take an employee receiving a salary of $1,200. At age 35 this employee was promoted to $1,400. The amount of increase in his salary is $200, or $16.66 per month. The deduction from salaries of persons entering the service at 35 is 5.2 per cent. Therefore 5.2 per cent of $16.66, or 87 cents, would be the amount to be added to whatever monthly deduction was being made before his promotion.

The Chairman. Is the annuity to be based upon the salary he receives at the time of retirement?

Mr. Brown. No, sir; the annuity would be based on the salary actually received by him from time to time during his entire service.

Mr. Edwards. As I understand, the amount of deduction from his salary is based upon the salary he is getting each year?

Mr. Brown. That is correct.

The Chairman. The amount deducted from each man's salary goes into a general fund and he gets back exactly what he contributes?

Mr. Brown. Yes, sir; he gets back exactly what he contributes with interest at 4 per cent compounded annually.

The Chairman. He does not get anything from anyone else? Theoretically each man provides an annuity for himself?

Mr. Brown. Yes, sir. His annuity is not dependent upon contributions from any other person.

Mr. Douglas. I do not see why the deductions should increase with the increase of his salary. On this basis $3.57 would produce $6,678 at the end of fifty years. If that is the sum that is necessary to provide him an annuity of $900, why, because his salary is increased, should the deduction be increased?

Mr. Brown. You want the annuity on retirement to be equal to 1½ per cent of his salary for each year that he has been in the service. If he entered the service at 20 years of age at a salary of $1,200 per annum, the amount deducted from his salary would be the amount you stated, $3.57, and the deduction would continue at that amount as long as his salary remained at $1,200, because a monthly deduction of $3.57 between the ages of 20 and 70, if improved by 4 per cent compound interest, will amount to $6,678, which is the price of an annuity of $900 per annum beginning at age 70, and $900 is equal to 1½ per cent of his salary for each of his fifty years of service. Now, if at the age of 35 his salary were increased to $2,000, the monthly deduction from his salary would have to be increased in order that

his annuity, on retirement, should be equal to 1½ per cent of $2,000 for the years that he received that salary. The increase in the deduction from the employee's salary would be based on his net increase in salary and the number of years remaining before attaining the age of retirement. In this instance the employee's salary was increased from $1,200 to $2,000. The net increase was $800. If the promotion from $1,200 to $2,000 was made when he was 35 years of age he would still have thirty-five years to serve before retirement, and the amount of the increase in his annuity to correspond to his increase in salary would be ascertained by taking 1½ per cent of the increase, $800, which would be $12, and multiplying it by 35, the remaining years of service, and this gives us $420. Now the cost of $420 annuity beginning at age 70 is ascertained by multiplying $420 by the price per $100 of an annuity beginning at age 70, which we will say is $742, the price per $100 charged by a number of the leading insurance companies. If an annuity of $100 costs $742, then 4.2 hundred will cost 4.2 times $742, or $3,116.40, and this is the additional amount of money that must be accumulated between the age of 35, when his salary was increased, and the retirement age of 70. By reference to an interest table we find that a deposit of $1 per month for thirty-five years, improved by 4 per cent compound interest, will amount to $902.87. Therefore, to provide the annuity corresponding to this employee's increase in salary of $800 will require a monthly deduction of as many dollars as $902.87 is contained in $3,116.40, which is $3.45, and this amount, plus the deduction of $3.57 that was being made before the increase in salary was made, gives us the proper deduction to be made after the increase in his salary took place. This makes a total monthly deduction of $7.02, or 4.21 per cent of the employee's salary thereafter, until another promotion takes place. In actual practice the process is much simpler than the one I have described, for the deductions from a salary of $100 beginning at all ages would be reduced to a set of tables, and to determine the increased deduction to be made when a promotion took place would require only a simple multiplication of the amount of the increase by a certain per cent shown in the table. In the illustration just considered the process would be simply that of multiplying the monthly increase of $66.67 (which is one-twelfth of $800) by 5.117. This process may be still further simplified by preparing a set of tables showing the amount to be deducted from various promotion salaries at various ages.

The CHAIRMAN. In other words, he would get a larger annuity?

Mr. BROWN. Yes, sir; to correspond to his salary and length of service.

Mr. EDWARDS. Did I understand you to say that he would get back just what he had paid in, plus 4 per cent interest?

Mr. BROWN. Yes, sir; plus 4 per cent interest, compounded annually.

Mr. EDWARDS. No clerk would contribute to the annuity of another clerk, nor will the Government contribute more than the interest it allows?

Mr. BROWN. No clerk would receive any benefit from the contributions of any other employee. As I have amended the bill the Government guarantees 4 per cent interest on the savings of the employees. If the fund earned less than 4 per cent the Government would

pay the difference between the interest earned and 4 per cent. The bill also provides that the Government shall bear the expense of administering the fund.

Mr. HARDY. What provision have you made where the insured dies?

Mr. BROWN. The contributions, with the interest credited to them, shall be returned at death.

Mr. HARDY. To his family or estate?

Mr. BROWN. To his estate.

Mr. EDWARDS. Any man, if he is thrifty, can get more than 4 per cent, and so I can not get the force of this scheme.

The CHAIRMAN. While it is true that a man could probably get more than 4 per cent interest, it has been found in experience that the men in Government positions will not save, and the result is that when they get old and incompetent and should be put out of the service Congress and the heads of the departments will not put them out of the service because they have not anything to live on, and it is considered merciless. This is really a proposition to make the Government employee save and protect himself from old age.

Mr. BROWN. It is a compulsory savings arrangement.

Mr. EDWARDS. But this is a free country and a man has the right to use his money as he wants to. I am frank to say that at present I can not see the force of the scheme. You might as well say: "We will make you save your money, whether you will or not." Of course it is commendable to try to make them save.

The CHAIRMAN. It is being done in Europe.

Mr. DOUGLAS. It is being done on the great railroads.

Mr. EDWARDS. That is somewhat of a charitable relief. I know that the Atlantic Coast Line has a hospital relief fund and that, I think, is a very good thing.

Mr. DOUGLAS. All the employees of the Pennsylvania Railroad Company, as I understand it, after they have been with the company a certain time are required to contribute to a fund for their own annuities.

The CHAIRMAN. And the railroad contributes a still further fund?

Mr. DOUGLAS. Yes, sir.

Mr. EDWARDS. Are you not trying to get the Government into an insurance scheme?

Mr. BROWN. There is no element of insurance in this plan until the employee reaches the retirement age. If he elects to take an annuity at retirement then there is an element that you might call insurance, but up to that point it is merely a savings account.

SEC. 2. That the amounts so deducted and withheld from the salary, pay, or compensation of each employee shall be deposited in the Treasury of the United States and shall be credited, together with interest at four per centum per annum, compounded annually, to an individual account of the employee from whose salary, pay, or compensation the deduction is made.

The CHAIRMAN. You will keep an account with each man?

Mr. BROWN. Yes, sir.

Mr. DAWSON. How many accounts will be necessary?

Mr. BROWN. About 150,000.

The moneys so deducted and the income derived therefrom may be invested from time to time by the Secretary of the Treasury by the purchase of bonds of the United States, bonds or other interest-bearing obligations of any State of the United States, or any legally authorized bonds issued for municipal purposes by any city in the United States which has been in existence as a city for a period

of twenty-five years, and which for a period of ten years previous to such purchase by the Secretary of the Treasury has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and which has at such date more than one hundred thousand inhabitants as established by the last national census, and whose net indebtedness does not exceed five per centum of the valuation of the taxable property therein, to be ascertained by the last preceding valuation of property for the assessment of taxes; or the first-mortgage bonds of any railroad company, not including street-railway bonds, which, in compliance with existing law, reports regularly to the Interstate Commerce Commission a statement of its condition and earnings, and which has paid dividends of not less than four per centum per annum regularly and continuously on its entire capital stock for a period of not less than ten years previous to the purchase of the bonds by the Secretary of the Treasury.

I took that from Senator Aldrich's currency bill.

Mr. Dawson. Wherein does that provision differ from the savings bank provision, we will say, of the State of Connecticut?

Mr. Brown. That is substantially the same, I think. Of course the State laws are much more elaborate, but these provisions are substantially the same as the Massachusetts savings-bank laws. Of course the Massachusetts savings-bank laws enumerate the bonds that may be purchased.

Mr. Hardy. They name the bonds and stocks of certain roads, etc.?

Mr. Brown. Yes, sir.

Mr. Hardy. At the end of twenty years, compounded at 4 per cent interest, how many times the contribution does the lump sum amount to?

Mr. Brown. A deposit of $1 per annum for twenty years, compounded annually at 4 per cent, amounts to approximately $31.

Mr. Holcombe. The Government employees do invest more or less. Almost all of them invest little sums in one thing or another. Many of them try investments in real estate, town lots, and things of that sort. They lack the experience and judgment. Their lives and occupations are such that they do not acquire business acumen. They are the victims of every possible kind of promoter and sharper, and whatever little surplus they painfully save from their salaries and make investments in ninety-nine cases out of a hundred is lost. That has been my observation in the Departments in twenty years. They do the best they can. Then at the end of a long life the Government has them on its hands as old people, who, if discharged, will be left to want and suffer.

Mr. Scofield. I would like to emphasize the point that this bill is not drawn primarily in the interest of the Government clerk. It is drawn in the interest of the Government. It is to protect the Government by compelling a man when he comes into the service to guard against becoming a charge, as in practice we find to be the case, when he reaches a period where his usefulness if not departed is materially lessened. It is to guard against that. It is, to use a familiar quotation, "a condition and not a theory."

Mr. Dawson. As a matter of fact we now have a very large per cent of the clerks who have reached that point in the service in Washington.

Mr. Scofield. In my judgment, the superannuation difficulty in the Government service is not nearly so bad as a good many people seem to think. I think it will compare very favorably, and I speak from an observation of nearly a quarter of a century, with other occupations. The fact is that the Government wants their very best

and it should be enabled to get that by at least getting rid of people when their services have become lessened in value, so as allow new people to come in and to develop.

Mr. DOUGLAS. Then there is another thing. This bill applies to hundreds, if not thousands, of women who have no aptitude for investing and a good many of whom are not much inclined to save and whose condition becomes the most pathetic when they are old.

Mr. SCOFIELD. That is true, and they are frequently the sole support of dependent relatives.

Mr. HARDY. There is one suggestion which occurs to me. Is not the whole scheme practically a civil-pension list?

Mr. BROWN. No, sir; this plan is not, in any sense, a civil pension, for the reason that every employee provides for his own annuity on retirement by savings from his monthly salary. It might more properly be called a savings and annuity plan.

Mr. HARDY. And will not the Government after a while arrange its scale of wages or salaries so that the salary would be about the same with the deduction taken off as it would otherwise have been without that deduction?

Mr. DOUGLAS. But of course Congress is the Government.

Mr. BROWN (reading:)

The moneys so deducted from salaries and the income derived therefrom shall be held and invested by the Secretary of the Treasury until paid out as hereinafter provided. Any deficiency in the fund hereby created to carry out the provisions of this act shall be paid out of any money in the Treasury not otherwise appropriated.

The CHAIRMAN. What is the purpose of that clause?

Mr. BROWN. The purpose of that clause is to provide for any deficiency that there might be between the income earned on the fund created by the deductions from salaries and the rate of interest guaranteed by the plan, 4 per cent.

SEC. 3. That upon retiring at the age of retirement the employee may withdraw his savings, with the increment of interest as herein provided, under one of the following options, and receive in addition thereto such sum, if any, as may be apportioned by the Secretary of the Treasury out of interest accumulations in excess of the four per centum guaranteed by the provisions of this act, and apportionment by the Secretary of the Treasury shall be conclusive.

The CHAIRMAN. The purpose of that section is that if the fund earns more than 4 per cent they can give it to the persons whose money has earned it?

Mr. BROWN. Yes, sir.

Option I. In one sum.

Option II. In an annuity payable quarterly throughout life.

Option III. In an annuity payable quarterly throughout life, with the provision that in case of the death of the annuitant before he has received in annuities the amount of his savings, plus the interest credited thereon, the balance shall be paid to his estate. In determining at his death the amount due to his estate no account shall be taken of the annuities paid to him by the United States, as hereinafter provided.

Option IV. In an annuity certain for a limited term of years, payable quarterly.

These are the optional settlements ordinarily contained in life insurance policies.

If after retirement the employee does not avail himself of one of the foregoing options, but leaves the amount due him on deposit, interest at the rate of two per centum per annum on the original sum so left on deposit on retire-

ment shall be credited thereto for a period not exceeding twenty years, and if not then withdrawn the money so left on deposit and the interest credited thereon shall be covered into the Treasury as a miscellaneous receipt.

Mr. DAWSON. You do not require the beneficiary to take advantage of any of those options, you say "may," not "shall"?

Mr. BROWN. I changed the bill to "may." If he leaves his money on deposit, he gets 2 per cent simple interest and the general fund would get the benefit of any earnings over and above that rate.

Mr. HARDY. That is where he does not take the money?

Mr. BROWN. Yes, sir.

The CHAIRMAN. I see that you have left out the clause that the annuity shall be based on mortality tables, etc.?

Mr. BROWN. I changed the form; that is in the first paragraph of the bill, as I have changed it.

SEC. 4. That upon absolute separation from the civil service prior to the retirement age, and only upon such separation, the employee may withdraw his savings, with the increment of interest credited thereon, in one sum, or, in case his savings amount to at least one thousand dollars, and he has been in the service not less than twenty years, he may withdraw the same under any one of the foregoing options computed on the basis of his attained age. In case of the death of an employee while in the service the amount of his savings, together with the interest credited thereon, shall be paid to his estate.

Mr. EDWARDS. "Shall be paid to his estate." This is a provision, as I understand it, to care for the man and his family, or for the employee and his family. Of course, we are not amending the bill now, but I think when it is put into shape it should be changed so that the money is to be paid to his family.

Mr. DOUGLAS. And not to his creditors?

Mr. EDWARDS. Leave it to his wife or children or family.

The CHAIRMAN. Have you considered the question of when a man leaves the service after a short period that he should not forfeit his fund?

Mr. BROWN. The draft as I have it here contemplates that he shall be permitted to withdraw his savings, plus the interest thereon, upon absolute separation from the service at any time.

Mr. EDWARDS. What provision do you make about illness? Suppose a man is ill for a month or two months and he does not draw any salary, is there a forfeiture under that?

Mr. BROWN. No, sir; his account is credited when the deduction is made from his salary. If he draws no salary and no deduction is made, the amount to his credit is simply that much less.

Mr. DOUGLAS. There are no deductions made for illness?

Mr. BROWN. No, sir.

Mr. HOLCOMBE. An employee may have thirty days' annual leave and thirty days' sick leave, and after that period is exceeded then the deductions are made.

Mr. SCOFIELD. He can not under the law have leave with pay to exceed sixty days in any one year.

The CHAIRMAN. The class I was speaking of is the young men who come to town to study in the universities and who go into the service for two or three or four years and then expect to leave. My question was whether in those cases it would be fair that they should forfeit the accumulation; in other words, whether they should get the salary minus what they contributed?

Mr. Brown. I think all employees who contribute to this fund should receive all their contributions with interest whenever they retire, regardless of the length of service.

Sec. 5. That in case of reinstatement in the classified civil service of any person who at the time of his separation therefrom received a refund under section four of this act, his period of service for the purpose of retirement and of making the monthly deduction from his salary shall be computed from the date of such reinstatement, unless he shall within ninety days after reinstatement pay to the Secretary of the Treasury the amount refunded to him, in which case the same shall be replaced to the credit of his account, and the former period of service shall also be counted.

Mr. Hardy. In the bill as printed it says that if one retires before reaching the age of 45 he forfeits any interest. You changed that?

Mr. Brown. Yes, sir; but the bill as printed (House bill 17969) I do not indorse in that respect. The bill, as I have drawn it, is based on the idea of returning to every man his savings with interest, and in my opinion there should be no departure from this rule. That forfeiture provision was put in by the Keep Commission's subcommittee after I turned the bill over to them. It was because of this and other amendments which I did not approve, that I prepared the bill I am reading.[a]

Mr. Hardy. Whereas this puts him into the same position. Your provision provides for that with accumulated interest?

Mr. Brown. Yes, sir. This provision as it was before I changed it, would also work a hardship upon the Government where an employee was disqualified for any cause prior to the age of 45.

Mr. Dawson. You would hardly want anything in the bill that would force a young man to remain in the service if he wanted to go out.

Mr. Hardy. That is only the interest?

Mr. Brown. It amounts to 50 per cent in twenty years. A deposit of $1 per year for twenty years at 4 per cent compound interest amounts to $30.97—$20 principal and $10.97 interest. If he had been in the service twenty years, his interest accumulations might amount to $500 or $600, or even more.

Mr. Douglas. I do not believe the Government will be able to earn 4 per cent on this money, and that ultimately it will become something of a charge upon the Government. Might not that be met in a measure by providing that an employee who did not serve beyond a short period, say, two years, or who did not remain in the Government service beyond a period of one year, should forfeit what he paid in?

Mr. Edwards. And let it go into the general fund?

Mr. Douglas. Yes, sir.

Mr. Brown. Is not that subject to the same criticism? I think the appropriation of one man's interest to benefit another is wrong in principle. It does not make any difference whether the amount appropriated is much or little. The objection you make——

Mr. Douglas. I do not make it as an objection.

Mr. Brown (continuing). Might more easily be met by reducing the rate of interest from 4 per cent to 3½ per cent. Such a reduction

[a] The bill as amended by Mr. Brown and read by him at this hearing, was later in the same day introduced in the House by Mr. Gillett, and printed as H. R. 18982. (See Appendix A.)

would not materially increase the amounts withheld from the employees' salaries.

Mr. Douglas. I do not think it should be reduced from 4 per cent, but I think some plan could be provided by which in case a man or woman only remains in the service a year that he or she should forfeit at least some part of the amount paid in, which in the course of years would provide a fund to protect the Government against loss.

Mr. Brown. That would not amount to very much, and an employee might be tempted to remain two or three months longer and get it back.

Mr. Douglas. Yes, sir; that is true.

Mr. Scofield. I do not see how that would be a hardship if he understands it when he accepts the position.

Mr. Douglas. And if he does not stay two years, all that he pays in shall remain to the credit of the Government.

Mr. Scofield. He would simply agree to take a salary of $1,000 a year and stay five years in the service, or take so much less each year. It does not actually go to paying the other people, but it goes to reimbursing the Government.

Mr. Douglas. I think that suggestion is worthy of consideration.

Mr. Brown (reading):

Sec. 6. That the retirement age herein referred to shall be sixty years for group one, sixty-five years for group two, and seventy years for group three. And the President of the United States shall designate the branches of the service to be included in each group.

Mr. Douglas. I think that is better than the way it is here. (Appendix B, sec. 5.)

Mr. Edwards. Why not fix the three groups in the bill so that there would be no question about them?

Mr. Brown. It is rather difficult to do that. For instance, the occupation of watchman can hardly be said to "require great physical activity," or even a "moderate amount of physical activity," neither can it be said to be "mainly intellectual." Yet, as a matter of fact, the occupation seems to be one fairly well suited to men well advanced in years, and for that reason the retirement age for them, in the majority of cases, might properly be fixed at 70 years. The President has authority to say what group any class of employee shall be placed in.

Mr. Douglas. He would probably do it upon the basis of the state of physical activity in the service?

Mr. Brown. That would be the only basis.

Sec. 7. That every employee to whom this act applies shall be entitled, on reaching the retirement age, or having already passed that age, to retire from the service under the provisions hereinbefore contained, and also, in addition to the annuity herein provided for by his own contributions from his salary, to receive from the United States, during the remainder of his life, an annuity equal to one per centum for group one, one and one-fourth per centum for group two, and one and one-half per centum for group three of his average salary, pay, or compensation, during the last ten years of service, for every year that he shall have been in the service prior to the passage of this act; and the Secretary of the Treasury is hereby authorized and directed to pay such annuity quarterly, from any money in the Treasury not otherwise appropriated, upon proper certification of the retirement of such employee by the appointing officer under whom he last served. Annuities from the United States for the period of service prior to the passage of this act shall be payable only on condition that the employee remains in the service until he reaches the age of retirement.

If the records showing the actual salary received by an employee fifty or sixty years back are available, I think the amendment as contained in bill H. R. 17969 is better than this. This paragraph, as I have it, provides for an annuity equal to 1 per cent, 1¼ per cent, and 1½ per cent of the average pay during the last ten years of service for every year that the employee shall have been in the service prior to the passage of the bill.

Mr. DAWSON. Would not that bring an additional charge upon the Federal Government? You put the annuity on the basis of his last ten years of service, whereas he had forty years' service in all, thirty years prior to this, and the last ten years may be at a reduced salary?

Mr. BROWN. Yes, sir; I think it would be better to take the entire period into account if the records are available.

Mr. HARDY. The provision contemplates giving an annuity by the Government without any former deduction?

Mr. BROWN. Yes, sir.

The CHAIRMAN. That is to provide for the present employees?

Mr. BROWN. That is to hasten the benefits under the plan. That feature is not at all essential to the operation of the plan, but it hastens the results. If you do not pay something to the employee for past services, the full benefit of the plan will not become effective for twenty or thirty years.

Mr. SCOFIELD. The idea is for the Government to take care of the employees now in the service to the extent of their past services and from this time on everybody, including the old and new employees, will take care of themselves. The only tax on the Government in the line mentioned by Mr. Brown is the present evil to which the Government has in some measure contributed.

The CHAIRMAN. How much do you calculate that will cost?

Mr. BROWN. I will tell you.

Mr. HARDY. Did you say that the Government had contributed to the present evil?

Mr. SCOFIELD. I mean it has contributed, as suggested by the chairman, by the failure of Congress and the Executive to dismiss them; contributed by being humane.

Mr. HARDY. That is the trouble with a lot of us.

Mr. BROWN. We made an estimate of the cost for annuities for past services based on Bulletin No. 12 published by the Census Office in 1903, and that estimate shows that for the first year the maximum appropriation required would be about $725,000, and that the annual appropriation would gradually increase for about thirty years up to about $1,750,000 and then gradually run off to nothing.

The CHAIRMAN. How long would it take to "run off to nothing?"

Mr. BROWN. In 1974 the appropriation by the Government would be $163. Those figures are based upon the maximum in every instance. They make no allowance for the resignation of anyone now in the service. They assume that every man, if he does not die, will continue in the service until he retires at the retiring age. The Civil Service Reform League states that the resignations from the service are about 8 per cent a year.

The CHAIRMAN. That would not be the case if a man knew that he was going to get a pension if he remained in the service?

Mr. BROWN. I do not think that would have any material effect upon a man who had been in the service only two or three years.

The CHAIRMAN. But the older men?

Mr. BROWN. It would undoubtedly have a material effect in holding the men who had served long periods.

Mr. HARDY. Is this scheme based on the idea that the Government will earn 4 per cent on the money?

Mr. BROWN. Yes, sir.

Mr. HARDY. Is it a reasonable assumption that the Government can make that amount of interest?

Mr. BROWN. All of the insurance companies of the country, on very conservative investments, earn 4 per cent and a little more, and the Government has the same opportunity to invest funds that the insurance companies have.

The CHAIRMAN. According to your best information, what will the sum total be in all those years?

Mr. SCOFIELD. Something like $70,000,000 or $80,000,000.

Mr. BROWN. No; the tables that were prepared under my direction show the highest possible cost to be $66,985,778, the greater part of the expense being incurred in the first fifty years. The resignations and removals among those now in the service would, I believe, bring this total very much below the amount stated.

The CHAIRMAN. You have a table, I suppose, of the annual cost?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Please hand that to the stenographer.

Mr. BROWN. Yes, sir.

The table referred to is as follows:

Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil service July 1, 1903, upon attaining the retirement age of 70 years (the amount of annuity to be 1.5 per cent of the employee's salary July 1, 1903, for each year of service completed prior to that date).

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$725,110	1930	$1,663,981	1953	$484,069
1908	811,840	1931	1,699,374	1954	403,305
1909	908,188	1932	1,713,085	1955	331,667
1910	1,025,293	1933	1,724,385	1956	269,380
1911	1,157,181	1934	1,734,603	1957	216,046
1912	1,258,725	1935	1,736,047	1958	170,947
1913	1,370,710	1936	1,744,512	1959	133,347
1914	1,466,424	1937	1,746,561	1960	102,450
1915	1,526,551	1938	1,736,974	1961	77,434
1916	1,570,768	1939	1,718,542	1962	57,499
1917	1,579,132	1940	1,684,723	1963	41,884
1918	1,564,974	1941	1,635,423	1964	29,877
1919	1,550,742	1942	1,568,188	1965	20,829
1920	1,534,636	1943	1,492,830	1966	14,152
1921	1,531,851	1944	1,406,199	1967	9,354
1922	1,512,159	1945	1,314,000	1968	5,971
1923	1,554,679	1946	1,211,837	1969	3,697
1924	1,546,866	1947	1,103,182	1970	2,199
1925	1,550,718	1948	990,583	1971	1,251
1926	1,555,588	1949	889,324	1972	679
1927	1,571,682	1950	772,735	1973	346
1928	1,589,167	1951	669,126	1974	163
1929	1,617,302	1952	572,770		

Mr. DAWSON. It will average about $1,000,000 a year?

Mr. BROWN. Yes, sir; or less.

Mr. SCOFIELD. The loss by superannuation is $1,200,000, as estimated by the civil-service board, and it is a very low estimate.

The CHAIRMAN. That hardly corresponds with what you said a few moments ago.

Mr. SCOFIELD. That is not a very large percentage, considering the number of people and the total cost.

The CHAIRMAN. Would there be any opposition to having this apply simply to the future—in other words, to the new clerks as they come in—and not have it apply to the present force?

Mr. BROWN. Part 1 of the plan is not at all dependent on part 2. Part 2 provides for annuities for past services and is merely in the interest of the Government to hasten the results of the plan. Part 1 is the plan proper, but by the adoption of part 2 you put the plan into full operation immediately instead of having its benefits come about gradually in the next thirty or forty years. By eliminating part 2 the Government would not be called upon to pay any part of the $66,985,778 estimated as the maximum cost of annuities to present employes for service prior to the adoption of the plan.

The CHAIRMAN. You could arrange it so as to cover only persons who now come into the service?

Mr. BROWN. Yes, sir. This estimate of $66.985,778 is much too high, because it contemplates the retirement of every person 70 years of age. That would be altogether unnecessary, because there are many persons in the service 70 years of age who are very efficient and ought to be retained. Retirement should be made only after a very careful investigation of each individual case.

The CHAIRMAN. In your plan does it provide that everybody shall retire at 70 years of age?

Mr. BROWN. It makes retirement compulsory at 70 years of age, but it provides that the head of the Department may retain an individual in the service by making a proper certificate to the Secretary of the Treasury, and upon such certification the employee may be continued for periods of two years, and so on.

Mr. HARDY. Would not that leave us with the same humanitarian consideration?

Mr. BROWN. No, sir.

Mr. HARDY. He would not want to quit?

Mr. SCOFIELD. But the head of the Department would not want to certify that his employment was necessary. Under this arrangement he could only keep him by affirmatively stating that it was in the interest of the service.

Mr. BROWN (reading):

On the death of the employee the payment of annuities provided for by this section shall cease and determine. Annuities payable by the United States under this section on salaries in excess of two thousand five hundred dollars per annum shall be based upon an annual salary of two thousand five hundred dollars.

The CHAIRMAN. That is, nobody is to get more than a percentage on $2,500?

Mr. BROWN. No one shall receive an annuity at Government expense under this plan based on more than $2.500 a year. If he receives a salary of more than that amount he should save part of it.

SEC. 8. That the period of service upon which the annuity to be paid by the United States is based shall be computed from original employment, whether as a classified or unclassified employee, and shall include periods of service at different times and service in one or more departments, branches, or independent

offices of the Government, the Signal Corps prior to July first, eighteen hundred and ninety-one, and the general service in or under the War Department prior to May sixth, eighteen hundred and ninety-six.

Mr. DAWSON. Will you explain the two exceptions about the Signal Corps and the general service in or under the War Department?

Mr. BROWN. That was incorporated in the bill by the Keep Commission's subcommittee.

Mr. ZAPPONE. In 1891 the Signal Corps was under the War Department, but the employees performed clerical work almost entirely. There were exceptions; a few men were detailed to the line of the Army in connection with signaling, but for the most part the men were performing clerical work and performing the same work that the employees of the Weather Bureau are performing now. They were stationed all over the country at the various meteorological points, taking observations of the weather, and they were enlisted and were under the War Department and subject to strict discipline, which was believed to be necessary to hold those men at their points of duty. It was thought at that time if an employee was a civilian employee that he would not get up in the Far West at 5 o'clock and take the morning observation, which would be 8 o'clock seventy-fifth meridian time, and for that reason they were enlisted, so that they might be subject to that very strict discipline. It was felt as a matter of justice to them, as it has always been considered in the preparation of other retirement bills, that they should be classed as civilian employees rather than enlisted men, and I think that point will probably be made by Mr. Scofield in regard to enlisted men in the War Department.

Mr. SCOFIELD. It is understood that these people are now civilians. They were formerly enlisted men, but by transfer to other Departments they have become civilian clerks. This provision is to allow credit for that service.

Mr. DAWSON. Did they derive any retirement benefit?

Mr. SCOFIELD. No, sir; none whatever.

The CHAIRMAN. I do not suppose there are many of them?

Mr. SCOFIELD. A comparatively small number—500 perhaps.

Mr. HARDY. When was the change made?

Mr. SCOFIELD. In the Signal Corps, on the transfer of the Weather Bureau to the Agricultural Department in 1891.

Mr. HARDY. Would not that go back beyond the ten years which this bill is intended to apply to?

Mr. SCOFIELD. Yes, sir. The object was to give what seemed to our committee a just and equitable privilege to the people who had always done clerical duty.

Mr. HARDY. But if you limit this to ten years, all this is unneeded because these men have been in the classified service for more than ten years?

Mr. SCOFIELD. I never heard of that bill until I came here and I would not want to make a statement. I think, however, you are probably right.

Mr. BROWN:

SEC. 9. That the Secretary of the Treasury shall prepare and keep all needful tables, records, and accounts required for carrying out the provisions of this act. The records to be kept shall include data showing the mortality experience of the employees in the various branches of the service and in different localities through the country and the rate of withdrawal from the classi-

fied service, and any other information that may be of value and may serve as a guide for future valuations and adjustments of the plan for the retirement of employees.

Mr. Dawson. Have you made any estimate as to how large an administrative force would be required?

Mr. Brown. No, sir; I have not. I do not think it would require a very large force because one clerk in a bank can take care of a good many open, checking acounts that have a great many entries each month. In this case there would be but one entry for each employee a month. A fairly good bookkeeper in a savings bank can easily post 400 items a day. On this basis, counting twenty-five days a month, a bookkeeper could handle 10,000 accounts. So that to handle 150,000 accounts would require only about 15 bookkeepers. It would, of course, be necessary to have a head to the office, and probably a chief clerk, and also several stenographers. If the handling of the finances were placed under this office some additional force would be required for that.

Sec. 10. That within thirty days before the arrival of an employee at the age of retirement, the head of the Department or independent office shall certify to the Secretary of the Treasury regarding the efficiency of such employee, with a statement whether the public interest requires his continuance in the service or his retirement, and such certificate and statement shall be conclusive. If he certifies that by reason of the efficiency of an employee who has reached the retirement age, and is willing to remain in the service, his continuance therein would be advantageous to the public service, such employee may be retained for a term not exceeding two years; and at the end of the two years he may by similar certification be continued for an additional term of two years, and so on. Upon the failure of the head of the Department or independent office to make the above-described certificate it shall be the duty of the Secretary of the Treasury to place such employee upon the retired list in acordance with the provisions of this act.

Sec. 11. That if an employee is retained in the service after reaching the retirement age, a deduction of ten per centum of his monthly salary, pay, or compensation shall thereafter be made while he remains in the service, and the same shall be treated as other deductions under this act.

Section 1 contemplates a deduction sufficient to provide an annuity of 1½ per cent of salary for each year of service between the date of entering the service and the date of retirement. Section 11 covers employees remaining in the service after the age of retirement. The reason for this deduction of 10 per cent from the employee's salary if he remains in the service after reaching the retirement age is that if the employee entered the service late in life and on reaching the retirement age he did not have a sufficient sum to his credit to purchase an annuity that would retire him comfortably, and through humanitarian considerations he was kept in the service, this deducduction of 10 per cent from his salary, added to his savings that were already to his credit drawing interest, would soon provide a fund that would take care of him. The cost of his annuity also decreases very materially for every year that it is deferred. If his annuity began at 75 the cost per hundred dollars would be $630, whereas the cost at age 70 is $742 per hundred dollars.

Sec. 12. That the provisions of this act shall apply only to the classified civil service, which is hereby defined to include all officers and employees in the executive civil service of the United States, except persons appointed by the President and confirmed by the Senate, and mere unskilled laborers. No person serving in a position excepted from examination or registration as defined in the civil-service rules shall be included within the provision of this act unless he has served in a competitive position for at least one year. Whenever any

person becomes separated from the classified service by reason of appointment in the unclassified service, such separation shall not operate to take him out of the provisions of this act. The President shall have power, in his discretion, to exclude from the operations of this act any groups of employees whose tenure of office is necessarily intermittent or of uncertain duration.

SEC. 13. That none of the moneys mentioned in this act shall be assignable either in law or equity or be subject to execution or levy by attachment, garnishment, or other legal process.

SEC. 14. That for the clerical and other service and all other expenses necessary in carrying out the provisions of this act, during the fiscal year nineteen hundred and nine, including salaries and rent in the city of Washington, there is hereby appropriated the sum of fifty thousand dollars; and also the amounts necessary for the annuities to be paid by the United States, under section seven of this act, from year to year, are hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be available until expended.

SEC. 15. That the Secretary of the Treasury is hereby authorized to perform or cause to be performed any and all acts, and to make such rules and regulations as may be necessary and proper, for the purpose of carrying the provisions of this act into full force and effect.

The bill presented by the Keep Commission's subcommittee (House bill 17969), in my opinion, is subject to the following criticisms:

First. The rate of interest to be paid the employees on their savings is not guaranteed. Inasmuch as the employees would be compelled by law to enter into the arrangement, if the bill became a law, it would be only just to guarantee a reasonable rate of interest.

Second. Sufficient restrictions are not placed on the Secretary of the Treasury in regard to the investments to be made of the employees' funds. The responsibility of investing these funds without restriction as to the class of investments would be altogether more than most Secretaries of the Treasury would care to assume.

Third. The clause providing retirement "by reason of disability not due to vicious habits," etc., would, I believe, mean the immediate retirement of a great many employees now in the service who are less than 70 years of age, and, by reason of the higher cost of annuities for persons retiring prior to the age of 70, would result in a very considerable expense to the Government above the estimate that has been made of the cost of annuities for service prior to the adoption of the plan.

Fourth. The bill contemplates the appropriation of interest on the deposits of employees leaving the service before reaching the age of 45. Besides being wrong in principle, this would seem to put a premium on disorderly conduct in the service, since dismissal for cause would be the only means through which a person retiring before that age could obtain the interest that his deposits had earned.

Mr. HARDY. If he retires under 45 years he gets no interest?

Mr. BROWN. If he voluntarily retires he forfeits his interest, but if he is compulsorily retired he secures his interest.

Fifth. The bill makes no provision for deductions after reaching the age of retirement. This might put a premium on remaining in the service after reaching the retirement age, for the discontinuance of deductions after that time would be the equivalent of an increase in salary.

Mr. HARDY. That is your 10 per cent, is it not?

Mr. BROWN. Yes, sir.

Mr. DAWSON. Do you think that this law if enacted could be administered for $50,000 a year?

Mr. BROWN. Yes; very easily. The major portion of the work would be done by the disbursing officers and clerks already employed. The additional cost would be in keeping a record of the amounts deducted from salaries and in making the disbursements from the fund. Twelve or 15 bookkeepers ought to be able to handle the accounts, and these could be had, I should say, for an average of $1,400 each. This would require not over $21,000. The remainder of the force could be hired for less than $29,000 a year.

Mr. DAWSON. Have you ever estimated what this fund would amount to?

Mr. BROWN. No, sir; that would depend on the length of service.

Mr. HARDY. How many Government employees does this bill cover?

Mr. BROWN. It would affect, perhaps, 150,000 employees. It would affect more as the service grew.

The CHAIRMAN. It could be limited to the Departments here in the city of Washington?

Mr. BROWN. Yes, sir.

Mr. EDWARDS. On a salary of $100 a month what would be the deduction?

Mr. BROWN. If an employee entered the service at 20 years of age, the deduction would be $3.57 a month. The deduction is greater where the employee enters the service at a more advanced age.

Mr. EDWARDS. Does this deduction continue at that rate?

Mr. BROWN. Yes, sir; and is only increased with increase in salary.

The CHAIRMAN. In other words, he gets $96.43 instead of $100 a month?

Mr. BROWN. Yes, sir.

Mr. DAWSON. Would this organization be comparable with any insurance company that you have in your mind? Have you compared it with any existing institution?

Mr. BROWN. In point of cost of administration?

Mr. DAWSON. Yes, sir.

Mr. BROWN. You can not very well compare it with an insurance company, because one of the principal items of expense with an insurance company is agency force, and here there would be nothing of that kind.

Mr. DAWSON. Have you any data or information regarding the retirement system in vogue on various railroads?

Mr. BROWN. No, sir.

Mr. SCOFIELD. I have the last publication of the Pennsylvania Railroad Company, which gives their system and the systems of other railroads in the United States.

Mr. DAWSON. Will you please give us the title of it?

Mr. SCOFIELD. Yes, sir. [Reads:]

Railway provident institutions in English-speaking countries, being a consolidation of reports submitted to the permanent international commission of the International Railway Congress at Brussels, Belgium, Europe, under date of July 1 and October 22, 1904, respectively, conformably with appointment in April, 1902 (while holding the office of assistant comptroller of the Pennsylvania Railroad Company), as "reporter for countries using the English language," in connection with the seventh session of the International Railway Congress, to be held in Washington, D. C., United States of America, May 3–13, 1905. M. Riebenack, comptroller Pennsylvania Railroad Company, Philadelphia, Pa.

Railroads interested in "Insurance or relief," "Pension or retirement," and "Superannuation."

	Roads.	Mileage.	Employees.
UNITED STATES.			
Miscellaneous	31	57,417.78	424,615
Pennsylvania	17	16,766.33	289,952
Baltimore and Ohio	3	4,410.00	55,688
Total	51	78,594.11	770,255
CANADA.			
Miscellaneous	2	12,359.00	62,652

PENNSYLVANIA RAILROAD.

Relief department, organized February 15, 1886, east; organized July 1, 1889, west.

Benefits: Accident, sick, death.

Railroad takes charge of funds, pays all operating expenses and interest on balances in its hands, and guarantees obligations of relief department.

Executive officers appointed by directors of railroad.

General supervision of department vested in advisory committee of 14—7 elected by members of department from themselves and 7 appointed by board of directors of railroad. Term, three years.

Membership includes all classes of employees and is voluntary.

Age limit for entrance to department (maximum), 45 years.

Physical examination is required.

Payments are fixed and in five classes, as follows:

Class.	Salary.		Monthly dues.	Period.	Benefits per day.		
	Lines east.	Lines west.			Accident.	Sick.	Death.
First	Less than $35	Not over $40	$0.75	First year	$0.50	$0.40	$250.00
				After first year	.25	.20	
Second	$35 to $54	$41 to $60	1.50	First year	1.00	.80	500.00
				After first year	.50	.40	
Third	$55 to $74	$61 to $80	2.25	First year	1.50	1.20	750.00
				After first year	.75	.60	
Fourth	$75 to $94	$81 to $100	3.00	First year	2.00	1.60	1,000.00
				After first year	1.00	.80	
Fifth	$95 or more	Over $100	3.75	First year	2.50	2.00	1,250.00
				After first year	1.25	1.00	

"Company relief" is afforded employees of lines west of Pittsburg where record of employee warrants same after he has been provided for one year by the department's funds. The company relief is paid by the railroad and the amount of benefit is cut in two each year until recovery or pension of employee. The relief department of lines west does not pay sick benefits longer than one year.

Death benefits may be doubled on payment of additional dues.

PENNSYLVANIA RAILROAD PENSION PROVISIONS.

Maximum age entrance to service 35 years, with a few exceptions, so that when employees are retired at 65 they have completed at least thirty years' service.

Compulsory retirement at 70 and voluntary retirement between 65 and 69 for incapacitation and thirty years' service (physical examination of applicants for voluntary retirement required).

Pension allowance is paid monthly and is computed on basis of 1 per cent of average monthly pay for the ten years next preceding retirement for each year of service.

Financed entirely by company contributions and charged to "operating expenses."

Pensioners may engage in outside employment.

No pensions paid to persons for a period during which he receives accident or sick benefits from relief department.

Mr. Brown. Here is a paper (Appendix D) by Mr. Benedict D. Flynn, assistant actuary of the Travelers' Insurance Company, read before the Actuarial Society of America at its annual meeting in Toronto in October, 1907, that I think will be of interest to you. Mr. Flynn describes briefly the principal methods of construction of staff pension funds and shows how elaborate is the structure of most of the funds in existence in European countries in the United States. He dwells on the practical difficulties encountered in establishing a fund along these lines, such as changes in the rules of the plan, the unreliability of the estimated rates of withdrawal, death, and increase in salaries of the employees. The fact that these assumptions as to rates of withdrawal, death, and salary increase can not be made with accuracy would not of itself be of great moment, provided the errors of judgment did not place the fund in an unsafe condition, and if it were not for the other fact that in such a fund individuals are not treated equitably, since classes of members get lumped together whose real circumstances and conditions in respect to these matters are as different as possible. He points out that practically all compulsory pension schemes which depend in any degree upon the contributions of their members contain in their rules the privilege of return of the whole or part of the contributions with or without interest in case of withdrawal or of death before the age of retirement is reached. In view of these facts, he can see no advantage in introducing the elements of mortality and withdrawal and of the erection of this elaborate statistical structure, and thinks it would be well to eliminate these assumptions entirely in so far as active members are concerned and simply accumulate the contributions at compound interest. He says that this savings bank idea, although referred to at various times throughout the discussion of staff pension funds, has never before been given the consideration that would seem to be its due, and that its advantages and adaptability can best be shown in detail by a study of my plan, which is, as I have said before, primarily a savings arrangement.

Mr. Hardy. The $60,000,000 you say would be needed in the course of fifty years, I understand, is by reason of going back and letting the operation of this act commence ten years before the beginning of the assessment?

Mr. Brown. It is proposed to at once begin taking from every employee in the service an amount which will provide him an annuity at retirement equal to 1½ per cent of his pay for every year he is in the service between the date of the passage of the bill and the date of retirement; and in addition to that, to give him at Government expense a similar annuity of 1½ per cent of his annual salary for each year of service prior to the passage of the bill.

Mr. Hardy. That is where the $60,000,000 comes in?

Mr. Brown. Yes, sir; for past services.

Mr. Hardy. To which he has not contributed?

Mr. Brown. Yes, sir. This would put the plan in exactly the situation it would have been if it had begun fifty years ago instead of now.

Mr. Hardy. Except in that case it would have been contributed?

Mr. Brown. Yes, sir. If it had begun fifty years ago the money would have been contributed by the employees.

Mr. Hardy. And the proposition is to take the $60,000,000 for past services?

Mr. Brown. Yes, sir.

Thereupon the committee adjourned.

The Committee on Reform in the Civil Service,
Wednesday, March 11, 1908.

The committee this day met, Hon. Frederick H. Gillett in the chair.

There were also present: Messrs. Charles Lyman, Treasury Department; John W. Holcombe, Department of the Interior; A. Zappone, Department of Agriculture, and John C. Scofield, War Department, of the committee on Department methods, and Herbert D. Brown, Chicago, Ill.

The Chairman. The committee would like to get the views of you gentlemen of this committee not only as to the difference between the two bills, but on the general subject. We will first hear Mr. Lyman.

STATEMENT OF MR. CHARLES LYMAN, TREASURY DEPARTMENT.

Mr. Lyman. Mr. Chairman and gentlemen, what I say this morning will be of a general character. The bill which I find here, prepared by Mr. Brown and recently introduced by the chairman, I have not read, and therefore I am quite unprepared to say anything about this bill or the difference between this bill and the one prepared by the committee. Other members of the committee are better prepared than I am to discuss the details of the bill. In its preparation I concerned myself largely with general principles which should govern the preparation of any bill and also the phraseology, particularly of this bill, in order that my associates on the committee would get the phraseology as perfectly as might be.

In any consideration of a proposition of this sort we can not afford to overlook any fact or circumstance which concerns the welfare of the public service or the personnel of that service. Therefore we ought to look with some degree of care into the history and conditions of the service.

Sixty-five years ago or thereabouts the civil service of the United States was crystallized into form by the act providing for salaries. That, as you know, provided for four grades, known as classes 1, 2, 3, and 4, the salaries attached to which being $1,200, $1,400, $1,600, and $1,800. Practically those conditions, so far as salaries are concerned, remained unchanged until the close of the war period, or about that time, when there was a great enlargement of the service itself and a change of conditions, and other grades were added up and down so that the average of salaries was somewhat changed, probably to a lower level than it had been before, and that process has gone on until

the present time. We find in Washington that the general average of salaries is not far from $1,000, probably a little over that.

The CHAIRMAN. Mr. Lyman, I noticed that in your report. In that statement do you include, for instance, laborers?

Mr. LYMAN. We include practically the whole service.

The CHAIRMAN. Do you include charwomen?

Mr. LYMAN. No, sir; I believe in that calculation laborers are excluded also, Mr. Chairman. We are taking into account the classified service.

The general conditions of the country have also changed, perhaps, to a greater extent than this mere matter of salaries. Sixty-five years ago we were living without telephones, without telegraphs, with a few railroads, with largely a suburban population, no great congested cities, and life very much less strenuous than at the present time. The people in the public service had greater liberty, had more time, had an easier, more comfortable life than they have at the present time. Everything is stir and movement at the present time.

For forty years I have been a rather careful student of public service conditions, and those conditions have progressively become less simple and more complex. The range of Government activities has greatly increased; sixty-five years ago, fifty years ago, possibly forty years ago they were very much less complicated than at the present time. Subjects of administrative action were more simple than they now are. In other words, what has been the history of the Government has been the history of corporations. There has been an immense development, a very great growth, taking on of larger responsibilities, requiring for the execution of the force of corporations and of the Government men of larger intelligence, better capacity, and more thorough devotion consequently to public interests than formerly.

As to the matter of superannuation, my study of that subject satisfies me that the percentage of superannuation is no greater now than it has been at any time in the past, but owing to the conditions under which we live, owing to the greater attention paid to discipline, owing to the higher standards demanded of the public service now than formerly, attention has been called to the fact of superannuation.

The CHAIRMAN. You do not think, Mr. Lyman, that before the civil-service law applied, when patronage was in force and people were liable to go out every four years, that there was as much superannuation then as now?

Mr. LYMAN. Yes, sir; I mean as large a percentage of superannuation, and I do partly for this reason: It was not the old men who went out for political reasons upon the change of administrations, but it was the young, vigorous men, the men who could be of use to the people outside. May I speak plainly? It was more often upon the change of a representative of the district that changes in the service occurred than upon the change of an administration. Every four years the time came when a king reigned who did not know Joseph and therefore Joseph went out and Ephraim came in, or somebody else. It was not the superannuated men who went out, but the young men, the vigorous people who could be of more service to the Government. Other young people came in, as a rule, but not always.

My belief is, as I have already stated, that the percentage of superannuation has not materially changed as time has gone on, but I do

believe that there are two reasons why greater attention is called to the fact of superannuation now than formerly. One of those reasons I have already intimated—that is, the higher standard required in the public service, better conditions, more faithfulness and more thoroughness, and that has come about because that is the atmosphere of general conditions throughout the country, and that has been very largely brought about by these new conditions resulting from new inventions and new business appliances. We have come to strenuous times; everybody must be up and doing. That is as true in the public service as in the world of business outside.

The other reason why attention is being called to superannuation is because of the different method of appointment under the civil service law from the old method. A great many people who were opposed to the civil service law said that there was no way provided by which old people, superannuated and unworthy people, could be gotten rid of. That is not true, but there are a great many people who are watching with the hope of finding it is true, and being able to say, "I told you so."

So far as I am concerned, and I think probably that is the feeling of the other gentlemen who have been at work on this proposition. The need of legislation of this kind does not come from the fact that there is more superannuation, but from the fact that the general conditions are changing. Great corporations have found it necessary to make some provision for aged employees, those who have become disabled in the service, and that is being done more and more all the time. The Government itself must get in line with these corporations and with the general sentiment which is becoming possibly more altruistic, but also more just, in its dealing with people who are servants receiving a yearly stipend, and who, under conditions, remain for a long time in the service.

You will readily understand, of course, that where the general average salary is a thousand dollars a year, or slightly more than that, there can not be, under modern conditions, a very large surplus in any household. The result necessarily is that at some time, at some period of life, when the public servant retires, he must retire to want and even destitution, unless those outside himself can provide for him, or the corporation or the Government that has had the benefit of his services must make some provision for his future welfare. Such a provision is not only humane, but it is just.

It is objected that it will cost the Government a large sum of money. The proposition which we submit here, and which is under consideration, will cost the Government a sum of money for a number of years, but the time will come, say in fifty years, when it will be self-supporting and no draft will be made upon the Public Treasury. During this period, when the Government is making appropriations out of its Treasury, it is fair to consider that the improved conditions, by the elimination of present superannuation and a progressive elimination during this period of superannuation, will bring into the service younger and abler men, and a percentage will be saved in salaries. Calculations have been made that $300,000 or $400,000 a year in the Departments at Washington will be the net result of saving by the increased efficiency of the service. I do not know whether those figures are accurate or not, but assuming that they may be accurate, and multiplying the $400,000 a year by the fifty years, during which

the Government may make appropriations, it is easy to see what the difference will be between what is appropriated and what is saved.

The CHAIRMAN. I noticed you stated that. I can not see how you can make such a saving as that, because I notice in another place in your report you stated that there were 370 men in the Departments who were 70 years old?

Mr. LYMAN. There are other men who are measurably superannuated. The superannuation is not a matter of age; it is a matter of condition.

The CHAIRMAN. But, on the other hand, there are other men superannuated, while some of the 370 would not be superannuated. So taking the 370 as the average and allowing them $1,000, that would only be $400,000.

Mr. BROWN. The 370 that are 70 years of age are in the entire service according to Bulletin 12.

Mr. LYMAN. I did not intend to go into those details, or to discuss them. I intended my statement to be a general one. Assuming that the figures are true, the Government would save that much, and on the other hand the Government would make an appropriation of so much for fifty years. It can be readily determined what the difference would be.

The CHAIRMAN. I do not see how those figures can be correct.

Mr. LYMAN. Suppose it is all outgo; the Government would make an average appropriation of $1,000,000 a year for fifty years, when the appropriation will cease altogether, and the scheme will become self-supporting. It is objected that this will be an additional and onerous tax upon the people. Let us see. We will suppose that the average population of the United States during this period of fifty years will be a hundred million and that the average appropriation will be $1,000,000 a year; the per capita tax would be 1 cent on that basis—a sum so small it is hardly worth considering.

The CHAIRMAN. Do you think it is very fair to look at it from that point and say $1,000,000 is small because the Government contributes it? If the Appropriations Committee should act on that theory, I do not think the Government would fare very well.

Mr. LYMAN. I am only saying what the per capita tax would be.

Mr. MANN. On that supposition?

Mr. LYMAN. Yes, sir.

Mr. MANN. Which probably nobody would make?

Mr. LYMAN. Well, apparently the facts justify the supposition.

Mr. MANN. Do you really think so, Mr. Lyman?

Mr. LYMAN. I do.

The CHAIRMAN. What supposition do you mean now?

Mr. LYMAN. The supposition that the Government will expend $1,000,000 a year for fifty years and that the saving to the Government by reason of that expenditure will be approximately $400,000 a year in the Departments in Washington and $800,000 outside, making $1,200,000—$200,000 more than the expenditure. I do not put this on that ground; in my mind, it is not largely a matter of money; it is a matter of business. I believe the Government would be better served, that better results would be obtained. Purely as a matter of business the Government can afford to make this investment. Then, on the other hand, there is the sentiment, if you please to call it sentiment, that you will make provision for a man in his old age. Rail-

road and other corporations have found that it was not a matter of sentiment with them, but a matter of business. They find profit in it, and I believe the Government would find profit in it.

Mr. MANN. By what authority do you say that the railroads have found profit in it and that it is not a matter of sentiment?

Mr. LYMAN. Simply because they are doing it. I am justified on that ground in saying that it is to their interest to do it.

Mr. MANN. That is just purely a supposition on your part. You do not know it is a matter of profit and not a matter of sentiment?

Mr. LYMAN. That is what the corporations say.

Mr. MANN. Have any of them said that to you?

Mr. LYMAN. No, sir; not personally.

Mr. MANN. They told me that it was a matter of sentiment and not a matter of business.

Mr. LYMAN. You would not believe that a corporation in cold blood working to make money would do this as a matter of sentiment?

Mr. MANN. I think they do it very largely as a matter of sentiment.

Mr. LYMAN. I think that the Government might do it as a matter of sentiment. I believe that it would be fair and just for the Government to make some provision for its aged and incapacitated employees who had worked a long time, giving the Government the services of their lives, made it a life service, and then in old age retire without any accumulation, for accumulation is impossible on the salary paid by the Government. The Government might just as a matter of sentiment make some provision for them.

Mr. MANN. I am not arguing that question with you. I want to know by what authority you say that corporations like the First National Bank of Chicago, the Illinois Central Railroad Company, and other companies have done this and made a profit out of it.

Mr. LYMAN. I get my information from statements which apparently have been made by officers of the companies and printed in the newspapers. I have not followed them up with the direct question as to their motives, but have assumed that what has been in the public prints in regard to the matter might be accepted as fairly true.

In a general way, the reasons which I have stated are the reasons why I believe legislation of this sort ought to be enacted, that the Government ought to do this much for the people who have spent their lives in the service and who have become incapacitated from earning a livelihood outside. I believe it can be justified on the ground of good business management and there would be no ground for complaint that the Government was dealing generously, if you please, with its servants who have given it their best years.

Mr. MANN. Then it gets to a question of a civil pension law?

Mr. LYMAN. No, sir; it does not in the end. We are initiating here under this proposed legislation a system which can be put on its feet by methods which will ultimately sustain it. The proposition is that for about fifty years the Government shall aid this enterprise and after that time the enterprise will take care of itself.

Mr. MANN. Are you familiar with the pension laws of the school boards?

Mr. LYMAN. To some extent.

Mr. MANN. And of the police and fire departments?

Mr. LYMAN. I have not made an exhaustive study of them, but I have looked into the matter.

Mr. MANN. Do you know of any case where they are self-sustaining upon the original proposition that was made?

Mr. LYMAN. I am told that there are occasions, resulting from one cause or another, where cities have to help out by appropriations—in the case of schools, cities, or States—but, in general, I think it may be said that the proposition works itself out after awhile.

Mr. MANN. If you can find any case where pension laws have been in force for twenty-five years or twenty years and no more money is now being paid than according to the original plan, I wish you would give us the instance.

Do you know the condition in Washington now as to the teachers' law?

Mr. LYMAN. I do not think there is much of a pension law in Washington.

Mr. MANN. You know there is one provided by law, and when it was provided it was stated that it would care for itself absolutely on the plan presented, and very eminent authority was given for it?

Mr. LYMAN. I must confess that I have not studied the pension plan for teachers in the city of Washington.

Mr. MANN. I thought, perhaps, that your committee had considered some laws where they were in existence.

Mr. LYMAN. We have not considered Washington.

Mr. MANN. It is very close here and very easy and simple to get at.

Mr. LYMAN. We have considered a great many plans from corporations, railroad corporations, banking institutions, and municipal corporations, but largely on the matter of the payment of salaries and not so much the pension laws.

Mr. MANN. Do you know of any private banking corporation or railroad corporation such as you suggest which proposes any scheme that will pay to a retired employee one-half as much money as is proposed by this bill?

Mr. LYMAN. I have not gone into that, and I have not the amount in hand, what is paid here or there; but I believe generally banks and other corporations expect to make some contribution. That is the general policy, that they have to make contributions.

I believe, Mr. Chairman, that I have said all I intended to say.

The CHAIRMAN. We will hear Mr. Holcombe.

STATEMENT OF MR. JOHN W. HOLCOMBE, INTERIOR DEPARTMENT.

Mr. HOLCOMBE. Mr. Chairman and gentlemen of the committee, I would like merely to say a few words as to the manner of the preparation of this bill submitted by the so-called Keep Commission and a comparison of the bill as finally embodied in this report and the bill which Mr. Brown read to the committee yesterday and which is embodied in the bill introduced by the chairman.

Mr. Brown's bill was the basis of our work entirely, and in this connection I would like to say that we regret very much that a statement has been made in the newspapers that our committee had withheld any credit or in any way obscured the obligation which we felt to Mr. Brown. There was certainly no intention on our part at any stage of the work to do anything of that kind, and in our report as finally

submitted a paragraph expressive of our indebtedness to Mr. Brown is contained on page 12. Mr. Brown's scheme, then, is the one upon which we worked entirely and which we think we have embodied in our measure.

Mr. MANN. I never have had time to give careful attention to this bill, and may I ask you in that connection if this bill is entirely different in its theory from the various retirement bills which have been pending before Congress for many years?

Mr. HOLCOMBE. Yes, sir; this is an annuity.

Mr. MANN. We have had those bills before us a number of times; bills of that same sort.

Mr. SCOFIELD. Where each man pays for his own annuity?

Mr. MANN. Yes, sir; bills presented by the post-office employees; bills of that character.

Mr. HOLCOMBE. As far as we understand, the bills which have generally been presented to you and the bill which the organization of civil-service employees has formulated, and I think had before you gentlemen last year, are, to a large extent at least, pension bills. This measure we do not consider as a pension bill at all. It is an annuity measure in which each individual contributes the fund for providing in the future for his own retirement. I think that is the essence of it. No man pays anything toward the retirement annuity of any other clerk.

The CHAIRMAN. And the Government contributes nothing?

Mr. HOLCOMBE. Each account is kept separately for each employee, and he gets the benefit of the contributions made from his salary during the period of service, from his entrance to retirement, under the Government. The Government will contribute nothing to that from this time on—from the time that the measure goes into operation the employees will provide the fund, as I understand it. Then there will be another fund sufficient to provide the retirement annuity for all who are entitled to it; but as no accumulation of that kind has been going on in the past, there is no source except the Government to which the present employees can look for what should have been accumulated for them in the past, and this measure proposes that the Government at that point shall make the necessary contribution.

Mr. MANN. But what will be done in the next ten or fifteen years? No legislator would think of attempting to legislate now for fifty years from now or that the legislation now would be enforced fifty years from now in a matter of this sort.

Mr. HOLCOMBE. A table has been very carefully prepared on page 11 of this larger document, and you will find it in the reprint on page 7, which will give the outside figures of the Government's contributions for a period of nearly seventy years. If you wish to limit it to ten years, just stop at the year 1918 and make a footing, and you would find the maximum outside estimate of what the Government within ten years would contribute to this fund.

Mr. MANN. How can you tell what will be the maximum outside estimate?

Mr. HOLCOMBE. I refer you on that point to Mr. Brown. He is the accountant and the insurance expert.

Mr. MANN. Do you know, except from what he tells you?

Mr. HOLCOMBE. No, sir; we are not experts in that matter. We have looked to him for the science of the measure. We have treated it from the civil-service point of view, the point of view of the employees. Mr. Brown assures us that it is a very high maximum, and that the actual amount which it would be necessary for the Government to contribute would fall much below that, and he can give reasons for that, as he did briefly yesterday.

Mr. MANN. He could not get his company to insure against it, I suppose?

Mr. HOLCOMBE. Perhaps he could; I do not know.

Mr. MANN. Against the legislation that would follow?

Mr. HOLCOMBE. That is another thing.

Mr. MANN. If he could, I think we could pass the bill very easily, if his company is reliable.

The CHAIRMAN. Mr. Brown, suppose you explain to the committee again how you reached that maximum?

Mr. BROWN. Those figures were made up from Table 67 of Bulletin No. 12 of the Census Office, by classifying the employees according to age, length of service, and salary. The total salaries for each age, classified by length of service, were multiplied by the length of service, which gave the equivalent of an annuity of 1 per cent for each year of service. The total of the annuity payments based upon 1 per cent for each year of service was obtained for each age, and the total for each age was then discounted to age 70 by the probability of living to that age, based upon a mortality table, and by employing the same probability the total annuity payments for each year for the remaining years of life was obtained. These totals were then increased by one-half in order to correspond to an annuity equal to $1\frac{1}{2}$ per cent of salary for each year of service. The American Experience Table of Mortality was used in making these computations.

The figures prepared by this method are maximum, if Bulletin 12 is correct, for the reason that they do not take into account the resignations between the ages given in Bulletin 12 and the retiring age.

Mr. MANN. There are many other things that they do not take into account.

Mr. BROWN. What are they?

Mr. MANN. I will go into that later.

Mr. HOLCOMBE. I wish merely to make a comparison between Mr. Goulden's bill, which is the Keep Committee bill, and Mr. Brown's bill, introduced by Mr. Gillett. The work of our committee was in the direction of simplification, and we were very careful in the matter of phraseology, and we think that where there is a difference our phraseology, unless it touches upon the science and financial side of the measure, will probably be a slight improvement.

Mr. Brown has inserted section 11 to provide for cases where an employee is not retired at the age of 70 years. Our measure provides that where the head of the Department or bureau regards the services of an employee who has reached 70 years of age as still valuable to the service he may postpone his retirement for periods of two years. Mr. Brown thought that our bill, considering the language of paragraph 1, would not provide for the continuation of any deduction in the salary of such an employee where it says that the deduction shall be made between the date of the passage of this act and the arrival of the employee at the age of retirement. He thought that would imply if the employee was retained in the service that no further

deduction would be made in his salary. He has therefore provided that where such employees are retained a round deduction of 10 per cent every year shall be made from their salaries. I think our committee would not favor it just in that way. We, of course, want the deductions to continue from his salary, but at the same rate they have been made up to the age of 70 years, according to the general plan of the bill. We would like to put into section 1 that the deductions should be made between the date of the passage of this act and the actual retirement of the employee, whether at the age of 70 years or after that age.

Mr. MANN. Can anybody be retired under this bill before he reaches 70 years of age?

Mr. HOLCOMBE. Under this bill he may be retired and have the benefits of this measure so far as earned up to the time of his retirement.

Mr. MANN. Who determines the disability?

Mr. HOLCOMBE. The head of the Department. There is no machinery provided for. It is just as those things are determined now.

Mr. MANN. It is not determined now, is it?

Mr. HOLCOMBE. Very often men are retired on account of inefficiency.

Mr. MANN. But on account of disability?

Mr. HOLCOMBE. On account of disability amounting to inefficiency.

Mr. MANN. Do you know of any Government clerk who has been retired on account of disability?

Mr. HOLCOMBE. By "disability" I mean inefficiency.

Mr. MANN. I am not talking about natural inefficiency; I am talking about disability incurred in the service.

Mr. LYMAN. That occurs almost every day.

Mr. HOLCOMBE. Do you mean some kind of injury?

Mr. MANN. Disability that you refer to here.

Mr. HOLCOMBE. We do not define what disability is.

Mr. MANN. Then do not ask me to define it. I am asking you a question and you want me to define a term in your bill.

Mr. HOLCOMBE. At the end of section 6 we have this proviso:

> *Provided*, That after having served the United States twenty years an employee may be retired by the proper appointing officer by reason of disability not due to vicious habits or by reason of exigencies of service, but without fault or delinquency on his part, or on his own application after forty years' service, and upon such retirement shall be entitled to the benefits of this act.

We understand that to mean that if a person through age or through sickness or to some accident should be found to be unable to perform the duties of a clerk he would then be dropped from the service and would be retired.

Mr. MANN. That would naturally retire everybody at the age of 60 years?

Mr. HOLCOMBE. According to Doctor Osler——

Mr. MANN (interrupting). I am talking about your bill. After 40 years' service. Do they not enter the service now between the ages of 20 and 30 years?

Mr. HOLCOMBE. From 20 to 30 years of age.

The CHAIRMAN. It does not say that they shall be retired after forty years of service?

Mr. HOLCOMBE. No, sir.

Mr. MANN. It does not say "must be," but "may be."

The CHAIRMAN. They may be retired any time on account of disability?

Mr. LYMAN. Only after a certain period of service.

Mr. MANN. There is a distinction between before and after forty years' service. The plain intent will be to retire men after forty years, except in exceptional cases. That will be the history, as it is of all other places where there is retirement, and that service will soon be limited to less than forty years. That is a longer service than provided for in any governmental function that now has a retired list.

Mr. HOLCOMBE. Do I understand you to mean that that would be the disposition of the employees as soon as they could get the benefit of the act?

Mr. MANN. It would be the disposition of the employees to retire and the disposition of the chief to have them retire after they had been in the service forty years; the desire for promotion would retire them, just as it does now in the Army and Navy. You must remember that every man who retires after he has been in the service for a long time makes promotions clear through the Department.

Mr. HOLCOMBE. Yes, sir.

The CHAIRMAN. I do not understand that provision provides that a man may retire on his own application; that he may be retired on his own application after any number of years of service, and get the benefit of this act?

Mr. HOLCOMBE. At any time he should retire he would get the amount which had been deducted from his own salary.

The CHAIRMAN. That is all the benefit there is?

Mr. HOLCOMBE. Applied to myself or anyone who has been in the service a number of years, unless he had served forty years he would get no benefit from this contribution that the Government makes.

The CHAIRMAN. I see. I did not appreciate that as applying simply to the men in the service.

Mr. BROWN. I would like to ask what deduction would be made from the salary of those already 70 years of age under the bill presented by the Keep Commission?

Mr. HOLCOMBE. The regular reduction of $1\frac{1}{2}$ per cent upon his salary. Whatever had been used as the measure of deduction from his salary at 69 years should simply continue on the same basis.

Mr. BROWN. The question that arises in my mind is what deduction would you make from the salary of a man now in the service 71 years of age and not superannuated and who would continue in the service?

Mr. HOLCOMBE. Why should not the deduction be made from his salary on the same principle that the deduction was made from his salary at 69 years of age?

Mr. BROWN. There was no deduction made when he was 69 years of age.

Mr. HOLCOMBE. Why not?

Mr. BROWN. The plan was not in force. He was over 70 years of age when the plan became operative.

Mr. HOLCOMBE. The calculations of your system provide for deductions from such a salary. Why do you fix it at 10 per cent for such a man?

Mr BROWN. The deduction of 10 per cent was adopted because if a man entered the service at 69 years of age and served one year he would contribute substantially 10 per cent of his salary to provide himself with an annuity equal to $1\frac{1}{2}$ per cent of his pay for one year. This deduction also has the advantage of increasing the amount to his credit very rapidly, so that if he did not have a sum sufficient to retire on comfortably at the age of 70 he soon would have.

Mr. HOLCOMBE. A man who enters now at 69 years of age would get very little benefit?

Mr. BROWN. There are many persons 69 years of age in the service who will begin to have deductions made on this basis when the plan becomes operative.

Mr. HOLCOMBE. The fund that would be set apart for them would be the amount which would have accumulated if the deduction had been made when they entered the service up to the time they were 69 years of age. Otherwise this measure does them no good.

Mr. MANN. Under this bill those employees who are now in office above the age of 70 years are immediately retired, are they?

Mr. HOLCOMBE. If they are superannuated, unless the head of their department certifies that their services are desired for the Government service for another period of two years.

Mr. MANN. They are paid 1 per cent to $1\frac{1}{2}$ per cent of the average annual salary multiplied by the number of years they have been in the Government service?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. How about those employees under 70 years of age?

Mr. HOLCOMBE. They would remain until they became 70 years of age. Then the question would be decided as to that.

Mr. MANN. Would they necessarily remain until they became 71 years of age?

Mr. HOLCOMBE. Not necessarily. We think under the proviso I have just read that each case could be taken up and it could be decided whether they should be renewed or retired.

Mr. MANN. Is there anything in the bill that gives a preference to civil-war veterans, such as it is provided in the retired list of the Army and Navy and Revenue-Cutter Service?

Mr. HOLCOMBE. No, sir.

Mr. MANN. Do you not think that would necessarily follow?

Mr. HOLCOMBE. I suppose under the general legislation, section 1754 of the Revised Statutes, that preference would be given.

Mr. MANN. In the Army and Navy they are retired with an additional rank, and would they be retired under this bill with an additional amount?

Mr. HOLCOMBE. Do you mean that the people would be promoted toward the end of their service in order that they might get a little more?

Mr. MANN. In the Army and Navy a man who has served during the civil war is retired in the grade next higher to that in which he has served. So a man in the Army or Navy goes on the retired list at a higher salary than would otherwise have been the case.

Mr. Lyman. That only applies to civil-war veterans; that is not the theory of this plan.

Mr. Mann. Do you think it would be possible to maintain the theory that that should not be done?

Mr. Scofield. You mean that there would be a demand for it on the part of the people?

Mr. Mann. Instantly.

Mr. Holcombe. This annuity would not permit anything of that kind. Under this bill the people would retire and the pension would be based on their salary after, generally, a considerable period of years, twenty, thirty, or more, and the promotion of a man for a year or six months just before his retirement would have no appreciable influence on the amount of his annuity. It would not increase it more than a few cents.

Mr. Mann. I understand.

Mr. Holcombe. A quarter, or something of that kind. I do not think there would be any tendency in the Departments to promote people to higher compensation.

Mr. Mann. That was not the question.

Mr. Scofield. Do you mean whether an attempt would not be made on the part of civil-war veterans for legislation to that end?

Mr. Mann. Yes, sir.

Mr. Scofield. I can not say as to that.

Mr. Mann. Is this estimate in the report made upon actual figures as to the salaries of the people who might now be retired?

Mr. Brown. It is made on the actual salaries as reported in Bulletin No. 12. They are not actual in showing the exact salaries, but they are thrown into classes of $720, $840, $900, $1,000, $1,200, $1,400, and so on.

Mr. Mann. I do not understand that this Bulletin No. 12 shows what salary a man has received for each year when he has been in the service for fifty years?

Mr. Brown. No, sir; it does not show that.

Mr. Mann. This proposition is based upon the salary he has received for each year for fifty years, if he has been in the service fifty years. Has anybody figured that out?

Mr. Brown. Not that I know of.

Mr. Mann. How do you get at your estimate? The first thing in the bill is the retirement of those now subject to retirement based upon paying them 1½ per cent of the average salary for each year they have been in the service and nobody has estimated what the salary is.

Mr. Lyman. The actual salary?

Mr. Mann. It says average, not actual. I should think that would be the first thing to figure out, to find out what it was going to cost, would you not?

Mr. Brown. That would be very desirable, but it would mean literally years of work to work it out in every detail for every employee in the service. There has not been any reduction or increase in the salaries, so the salaries as they stand to-day are practically what they have been right along.

Mr. Mann. Not at all. No man's salary remains the same for many years. They say it does, but we know that the people are promoted.

Mr. BROWN. That makes the figures all the safer, if you take the salaries of last year. In the majority of cases the salaries were less in former years. Therefore the estimate based on the last salaries is safe.

Mr. MANN. I do not think so. I have never known any estimate to be less than the fact. You have not made an estimate, and you do not know what it is, and these figures are not based on facts at all, as far as I can ascertain.

Do you mean to say that in figuring out what it would cost for those people over 70 years of age who would be retired? Supposing a man had been in the service fifty years, that you have multiplied his present salary by 50?

Mr. BROWN. Yes, sir. That would be, it seems to me, a safe way to make the estimate, because for a number of years he probably received less than he is receiving now.

Mr. HOLCOMBE. How did you estimate for a man who has recently come into the service and getting a low salary?

Mr. BROWN. The actual salary as reported in Bulletin No. 12 was taken as the basis.

The CHAIRMAN. That was the only basis you had?

Mr. BROWN. Yes, sir.

Mr. HOLCOMBE. Assuming a man does come into the service at $900 and will remain for fifty years, at the end of that time he may be up to $1,800. How did you treat him?

Mr. BROWN. So far as the Government contribution is concerned, it was based entirely on his salary at the time Bulletin 12 was published.

Mr. MANN. You have simply made an erroneous guess. Did you figure the estimate as to the present cost upon the present salary? Suppose a man is getting $2,000, and he started in the Government service at $720 or $900, did you figure that as fifty times $2,000?

Mr. BROWN. Yes, and that would again make the figures safe.

Mr. MANN. How did you make the figures?

Mr. BROWN. We took the actual salary at the time Bulletin No. 12 was compiled.

Mr. MANN. Then, of course, you have not figured it carefully at all. You have not pretended to be exact about it. It is a pure guess.

Mr. BROWN. It is as nearly accurate as we could make it from any available source.

Mr. ZAPPONE. That is stated to be an outside estimate, and I think, as Mr. Brown has mentioned several times, it is overestimated. It is based upon the salaries as given in Census Bulletin No. 12, the salaries given at that particular time. If you took the actual salary back thirty, forty, or fifty years, I think it is safe to estimate that the man received a less amount. A man coming in, say, 25 or 30 years of age probably was appointed at $720 or $900 and in thirty or forty years I think it is safe to say that he was promoted, just as you stated a while ago—that is the history of the average Government employee. That would make it lower.

Mr. SCOFIELD. Do you think, Mr. Brown, that it is practical in any way to arrive at more accurate figures?

Mr. BROWN. I do not know how it could be made more accurate unless you took the individual salary of every employee in the service and worked it out on his own footing.

Mr. SCOFIELD. How long would it take to do that?

Mr. BROWN. There are 150,000 employees and it would take a large corps of clerks a year or so.

Mr. SCOFIELD. Could it not be done in less time than that?

Mr. BROWN. I have no idea. I have given it no thought.

Mr. LYMAN. If I understand Mr. Mann's question, it would involve this work, that you must take the census bulletin and take all the people then in the service and trace them back to the beginning and take their initial salary and then their several promotions as they come along and their dates, the time they served under one salary and under another salary, up to the time that Bulletin No. 12 was prepared. That would be exact.

Mr. MANN. No; it would not be exact.

Mr. LYMAN. It would be as exact as you can get a thing of that character.

Mr. MANN. It would not be exact as to the people now subject to retirement. There are no 150,000 of them now subject to retirement.

Mr. BROWN. There are something over 300 who are 70 years of age.

Mr. MANN. That would not be an enormous task, and yet it has not been performed.

Mr. LYMAN. But the Government would have to make provision for the whole body.

Mr. BROWN. There are about 370 employees now in the service 70 years of age. There would be an additional number reaching the age of 70 every year, and so, if you determine the actual figures for 370, you would have only a fraction of the whole number to be worked up.

Mr. MANN. Is this $725,000 for 1907 and $811,000 for 1908 based on the 370 now subject to retirement?

Mr. BROWN. It is based on those 70 years of age and over.

Mr. MANN. That is not based on the number of superannuated employees?

Mr. BROWN. What do you mean?

Mr. MANN. The number that would be actually retired?

Mr. BROWN. That is based on the actual number that were at or above the retiring age at the time.

Mr. MANN. You say "retiring age;" be exact.

Mr. BROWN. The age of 70 years or over.

Mr. MANN. Have you read the reports of the various Departments which place the number of superannuated clerks at a much higher number?

Mr. BROWN. They probably took in others younger than 70 years of age.

Mr. ZAPPONE. That report stated about 5 per cent were superannuated.

Mr. MANN. I do not remember whether it was 5 per cent. We have a report from the Departments of the Government. Have you examined those reports?

Mr. BROWN. No, sir.

Mr. MANN. Under the bill no one can be retired in any event until he or she has reached the age of 70 years?

Mr. BROWN. Before he has reached the retirement age—60, 65, or 70 years of age.

Mr. SCOFIELD. According to the hazardous character of the service.

The CHAIRMAN. Your basis for the bill is Bulletin No. 12?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And you figured on that?

Mr. BROWN. Yes, sir; I had no other figures to base it on.

Mr. MANN. Bulletin No. 12 does not divide the retired people into 60, 65, and 70 years of age?

Mr. BROWN. It has nothing to do with retiring.

Mr. MANN. Outside of the number who could be retired, you figured on Bulletin No. 12?

Mr. BROWN. Bulletin No. 12 gives age, length of service, and salary of employees.

Mr. MANN. I understood a moment ago that you figured this $725,000, purely upon the basis of the people who were now 70 years of age.

Mr. BROWN. Yes, sir; 70 years of age or over.

Mr. MANN. And the bill provides for the people to retire at 60, 65, and 70 years of age. Does Bulletin No. 12 show that? Did you figure upon that?

Mr. BROWN. The figures compiled and shown in this report contemplated retirement at 70 years of age in every instance.

Mr. MANN. You have not taken into account the fact that a lot of the people would be retired at 60 and 65 years of age?

Mr. BROWN. There is a provision in the bill that those retiring at 60 and 65 years of age shall receive a smaller annuity, which will be, in point of cost to the Government, almost exactly the same as the cost of an annuity at 70 years of age.

Mr. MANN. Those people are in addition to the people who are now 70 years of age. You stated a while ago that this was the maximum amount?

Mr. BROWN. Yes, sir; but the yearly annuities paid those retiring at 60 and 65 would be materially less than the annuities they would receive if they remained in the service until they reached the age of 70 years.

Mr. MANN. And now you have two other classes not counted in the maximum at all?

Mr. SCOFIELD. Not under that bill, but under Mr. Brown's bill.

Mr. MANN. He did not state that it was the maximum amount under this bill?

Mr. SCHOFIELD. No, sir; this bill is Mr. Brown's, which differs slightly in that respect, 60 and 65 years of age.

The CHAIRMAN. Those, as I understand, are new clauses which were put in after making this calculation?

Mr. BROWN. Yes, sir. That was done to meet the requirements of the service in the Post-Office Department, where men would be retired earlier than 70 years of age.

The CHAIRMAN. And you did not take that into account when you originally made up the figures?

Mr. BROWN. No, sir.

The CHAIRMAN. So the figures do not cover that exactly?

Mr. BROWN. No, sir.

Mr. MANN. Who fixed upon the age of 70 years as the retiring age?

Mr. HOLCOMBE. I am not sure; it seemed the convenient age for that purpose.

Mr. MANN. Is it selected in any other branch of the Government as the retirement age?

Mr. SCOFIELD. I think not. Our idea was in other branches of the Government where the retirement age is fixed earlier that the service was more wearing.

(Thereupon the committee adjourned.)

THE COMMITTEE ON REFORM IN THE CIVIL SERVICE,
Friday, March 13, 1908.

The committee this day met, Hon. Frederick H. Gillett in the chair.

There were also present: Hon. Joseph A. Goulden, a Representative from the State of New York, and Messrs. John W. Holcombe, Interior Department; G. R. Wales, Civil Service Commission, of the Committee on Department Methods, and Herbert D. Brown, Chicago, Ill.

The CHAIRMAN. You may proceed, Mr. Holcombe.

STATEMENT OF MR. JOHN W. HOLCOMBE, INTERIOR DEPARTMENT.

Mr. HOLCOMBE. The bill introduced by Mr. Goulden is the bill finally decided upon by the subcommittee of which these gentlemen and myself are members, and adopted by what is left of the so-called Keep Committee and transmitted by the President. The bill adopted by us is based entirely upon Mr. Brown's plan of annuity, and what there is in it is essentially his bill. We considered that we perhaps simplified it somewhat in its administrative features. While none of us know very much about the science of insurance and relied upon Mr. Brown entirely for that side of the question in its application to the Government service, yet in its machinery and matters of administration we thought perhaps we had simplified it a little.

Mr. Brown's measure provided that 4 per cent interest should be paid on the accumulations which were covered into the Treasury. We were entirely willing that that should be the case, but in deference to objections and criticisms of the Civil Service Reform League we modified that feature in section 3 of Mr. Goulden's bill to provide that after the first two years the interest allowed upon this fund should be the actual earnings of the fund through its investment by the Secretary of the Treasury. Mr. Brown has, perhaps, wisely put in a considerable amount of definition and limitation as to the kind of securities in which this fund was to be invested. In our bill we were content to leave that entirely to the Secretary of the Treasury, and in that feature our bill differs from the Fuller bill. We merely provided that the fund "shall be deposited in the Treasury of the United States and shall be invested from time to time by the Secretary of the Treasury in State, municipal, railroad, or other bonds approved by him."

In section 4 we inserted this proviso:

> *Provided*, That any employee who shall voluntarily withdraw from the service before the age of 45 years shall forfeit the accrued interest on his savings, and only the amounts deducted from his salary shall be returned to him.

We put in that proviso to meet the criticism that any kind of a retirement with an annuity would encourage resignation. We do not think there is much in it. The annuity of itself would not be large enough to tempt a man.

Mr. GODWIN. What per cent of the salary do you propose to deduct?

Mr. BROWN. This plan does not contemplate the deduction of any uniform per cent from salaries. It differs in that respect from all the other retirement plans that have been proposed. It provides for the deduction of whatever sum may be necessary to give the employee an annuity on reaching the age of 70 years, equal to 1.5 per cent of his salary for each year of service. As the age of entrance, and consequently the length of service, varies, it follows that the per cent of salary deducted for the purpose of creating the sum necessary to purchase this annuity must vary also. The earlier the age of entrance the less the per cent of salary that must be deducted to give, at retirement, an annuity of 1.5 per cent of that salary for each year of service, because the longer the period of service the greater the operation of compound interest. The actual per cent of salary deducted is, therefore, a sliding scale, increasing with the age of entrance into the service. A person entering the service at 20 years of age would have to set aside 3.57 per cent of his salary. The amount of the deductions increases with increased age of entrance about half of 1 per cent or a little more with each five years. That is to say, a person entering the service at 25 years of age would have to set aside about 4 per cent of his salary, to accumulate his annuity; a person entering the service at 30 years of age would have to set aside about 4.6 per cent, and so on. For a person entering the service at 60 years of age the deduction from salary would be about 9 per cent.

Mr. HARDY. England has a flat rate of 5 per cent?

Mr. BROWN. I am not familiar with the English system. A flat rate, or, as I have called it elsewhere, "a uniform deduction of a given per cent," would compel those entering the service at the earlier ages to contribute more than necessary in order to make up for those who come in at an older age and who would not serve enough years to accumulate a fund to retire themselves.

Mr. HARDY. I do not think England has adopted this plan, but that is what they are working on.

Mr. HOLCOMBE. In reference to the penal clause, as it were, to prevent resignations in earlier life, we provide that a man retiring voluntarily before reaching 45 years of age shall forfeit the accrued interest. Mr. Brown advises us that that is contrary to the best principles of insurance policy, and it is a matter that we would not insist upon.

The CHAIRMAN. That is rather to encourage men to stay in the service?

Mr. HOLCOMBE. Yes, sir.

The CHAIRMAN. It would certainly be for the good of the service?

Mr. HOLCOMBE. Yes, sir; in a way. It might have the possible effect that someone suggested here, that a man who wanted to get out might incur the penalty of dismissal, because, under a strict wording of this paragraph, if dismissed, separated not voluntarily from the service, he might have his accrued interest.

Mr. HARDY. Does your bill provide that if a man is dismissed he gets the accrued interest, but if he retires voluntarily he does not?

Mr. HOLCOMBE. That provision has been criticised to that effect, that if he retired voluntarily before reaching the age of 45 years he would not, but if he was dismissed, he would.

The CHAIRMAN. That is, if he is dismissed for inefficiency or misconduct?

Mr. HOLCOMBE. Yes, sir; for any cause. It has not been supposed that these accumulations from his own salary could be confiscated if a man were dismissed, because he would still have them.

The CHAIRMAN. We could provide, of course, that he shoud lose the interest on them, if it were thought wise?

Mr. HOLCOMBE. Yes, sir.

Mr. GODWIN. To what class of officers does your bill apply?

Mr. HOLCOMBE. The classified service.

Mr. HARDY. There are about 150,000 employees of the Government at the present time?

Mr. BROWN. That is about the number. I have not seen the new figures compiled by the Census Office; they should be available in a short time.

Mr. HARDY. As to the remark you made some time ago, the language at the bottom of page 3 seems to indicate that the rate is 1½ per cent and I understood you to say 3½ per cent?

Mr. BROWN. One and one-half per cent is not the amount deducted from the salary each month, but an annuity should be provided of 1½ per cent of the employee's salary for each year he shall have been in the service, and the amount deducted is whatever may be necessary to provide an annuity of that amount.

Mr. HARDY. One and one-half per cent of his entire period of employment?

Mr. BROWN. An annuity equal to 1½ per cent of his annual salary for each year. If a man receives an annual salary of $1,200, 1½ per cent of that would be $18. If he served forty years it would be 40 times $18, or $720, and that would be the amount of his annuity on retirement at 70 years of age.

Mr. HARDY. If you take away from him 3 per cent or 4 per cent, it seems to me you should pay him back more than 1½ per cent?

Mr. BROWN. This table is made up to illustrate the deductions required from salaries of persons entering the service at various ages. (Appendix C.)

Mr. EDWARDS. How many of these bills have been introduced?

Mr. HOLCOMBE. Mr. Goulden has introduced a bill and Mr. Gillett has introduced a bill. Those are the only two before the House.

Mr. BROWN. This table is made up to illustrate the deductions that would be required from a salary of $100 per month at various ages. Now, if a person enters the service at the age of 25 years and retires at 70 years he would serve forty-five years, and the annuity he would therefore be entitled to on retirement would be $810 per year for the remainder of his life. The amount of money necessary to purchase that annuity at the age of 70 years is $6,010.20. Now, $6,010.20 can be accumulated in forty-five years by a deduction of about $4.05 a month with interest compounded annually at 4 per cent.

Mr. HARDY. That is practically 4 per cent?

Mr. BROWN. Yes, sir.

Mr. HARDY. What is the meaning of this language, that this annuity is equal to 1½ per cent?

Mr. BROWN. It is proposed to provide an annuity for the employee on retirement equal to 1½ per cent of his annual salary multiplied by his years of service. He has been in the service 45 years and 1½ per

cent of $1,200, which is $18, multiplied by the number of years he served gives you this annuity of $810.

Mr. HARDY. 1½ per cent multiplied by the number of years that he served gives you the annuity?

Mr. BROWN. Yes, sir.

The CHAIRMAN. He gets 1½ per cent for each year and he has to pay about 3 or 4 per cent?

Mr. BROWN. That does not mean that he is paying in more than he gets out. On the other hand, on any period of service he gets out more than he pays in.

The CHAIRMAN. Because of the interest?

Mr. BROWN. Yes, sir. A person who enters the service at the age of 20 years and remains in the service until 70 years on a salary of $1,200 would require a deduction of $3.57 a month, and $3.57 a month multiplied by 12 (months) and then by 50 (years) amounts to $2,142, whereas on retirement he could draw in cash $6,678. The difference of $4,536 would be the amount of interest his savings had earned. If he preferred it, he could take an annuity of $900 instead of $6,678 cash.

The CHAIRMAN. He would get that every year?

Mr. BROWN. Yes, sir.

Mr. HARDY. The 1½ per cent means 1½ per cent of his pay for all the years?

Mr. BROWN. Yes, sir; this annuity of $900 is equal to 1½ per cent of his salary for each year of service, and to accummulate this he has had to set aside $3.57 a month for $50 years, or a little over 3½ per cent of his salary.

The CHAIRMAN. He pays out 4 per cent, but he gets back 40 per cent or 50 per cent during the few years hé lives?

Mr. BROWN. Yes, sir, the annuity that would be paid after fifty years of service would be 75 per cent of the annual salary he had received.

Mr. HOLCOMBE. I think I can make that clear by taking it up in reverse order, as it were. The idea is that the employee shall receive after he has retired an annuity amounting to 1½ per cent of the salary he has been drawing, as explained by Mr. Brown, for each year of his service, and Mr. Brown limits the period on which this amount shall be calculated to ten years of his service.

The CHAIRMAN. You mean his salary?

Mr. HOLCOMBE. The salary he has been drawing for the last ten years of his service, which not always, but as a rule, would probably be a higher rate than he drew in the earlier years of his service. Our committee thought it would be more equitable—that the records of the Departments would enable such a practice—and, perhaps, on the whole it would be better that his annuity should be based on his entire service from the time he entered the service until he retired, and so our bill provides that the annuity he shall receive shall be 1½ per cent of the aggregate of his salary from the time he entered the service until he retires. That would amount, as you see, to the same thing as collecting 1½ per cent each year and adding the amounts together.

By way of illustration I had cards gotten out from my records the other day of persons to whom this would apply in the service here. I had time to have the calculations made and jot down in pencil about twenty of them. I find the first one is an individual now 75 years of

age. He has been in the service sixteen years. His salary varied during that time, but it is now at rather a low figure, he gets $840. During the sixteen years he has received $13,014.79. His annuity calculated on that aggregate salary at 1½ per cent would be $195.22.

The CHAIRMAN. That was an unusual case because he went in after he was 59 years of age?

Mr. HOLCOMBE. Yes, sir; that is rather unusual.

Mr. COCKS. He could not come in under the civil-service law now?

Mr. HOLCOMBE. No, sir; I do not think so. He might, possibly.

The CHAIRMAN. There is not any age limit except in certain branches?

Mr. HOLCOMBE. He could come in as a watchman.

Mr. WALES. There is only an age limit for some places. For general departmental clerk there is no maximum limit. A limit may be exercised by the appointing officer in selecting a young man instead of an old man, but no limitation applies by the rules to the appointment of a general clerk. For a postal clerk there is a limitation. It has come under my observation that occasionally a man 60 years of age is selected. I remember within the last twelve months the appointment of such a man who had been a clerk in a private office, a railway office, but he happened to have just the experience that was needed in the auditing office. He seemed to demonstrate in his papers and the statement of his experience that he was just the kind of a man wanted, and he was appointed and I think has turned out satisfactorily.

Mr. HOLCOMBE. To show how the annuity is figured, here is a man 70 years of age who has been in the service thirty-five years and who is now drawing $1,600. His aggregate salary during that time was $51,553.26, and his annuity would figure $773.30 a year. Here is a man 85 years of age who appears to have been in the service twelve years—he came in at rather an advanced age—and he is now getting $900.

Mr. MANN. What is he doing?

Mr. HOLCOMBE. I do not remember the individual or what he is doing.

The CHAIRMAN. What office is he in?

Mr. HOLCOMBE. I think the Pension Office. They have a good many old soldiers and old men. His annuity would amount to $202.23 a year.

Here is a man 83 years of age who has been in the service twenty-five years, and is now getting $1,200. His annuity would amount to $518.97. Our scheme is to aggregate the salary for his entire length of service and give him 1½ per cent on that, and the deductions made from his salary are calculated according to the standard insurance tables, so as to produce that amount.

Mr. Brown wished me to explain that the limitation which calculates the salary for only ten years applies only to persons who are now in the Government service and for whom the Government is asked to provide an annuity fund for the past years of their service.

Both these bills provide for the options which the retiring clerk may choose.

Mr. HARDY. Mr. Brown told us, I believe, that the ten-year provision would result in the payment by the Government of about $56,000,000 to those who had not contributed from their salaries in a

long course of years. How much would it take to meet this other requirement, not ten years but the aggregate service?

Mr. HOLCOMBE. I think it would not take so much, because the annuities would generally be calculated on a smaller sum. We assume that the clerks are getting higher rates of salary during the last ten years of their service.

Mr. HARDY. Was his plan to give them their annuity based on the last ten years of their service?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. As a rate, but for the whole period of their employment?

Mr. HOLCOMBE. Yes, sir.

Mr. BROWN. That applies only to the annuities for past service, you understand. The ten-year limitation which I put into the bill was intended to simplify the computation. I was afraid the records might not be available back forty or fifty years, and so I provided that the annuity shall be based on the average salary received during the last ten years of service. For the purpose of making future deductions from salaries the ten-year provision does not apply in any way.

Mr. HARDY. I thought this was to compute their annuity on the basis of ten years.

Mr. BROWN. No, sir.

Mr. MANN. Is this proposition which you present the same or different from the one in the Gillett bill?

Mr. HOLCOMBE. There are slight differences, and I was comparing the two bills.

Mr. MANN. Is this a proposition which your committee has determined upon since the last meeting of this committee?

Mr. HOLCOMBE. No, sir. This is the proposition embodied in the printed bill which you have before you.

In reference to the options, Mr. Brown's bill provides for four options, and he advises us that those are the usual options given by insurance companies which furnish annuities. Our committee, however, considered it a good deal, and we concluded that we might as well omit options 3 and 4. We thought that options 1 and 2, (1) that he might withdraw his accumulations in one sum or (2) take an annuity during life would be sufficient for the beginning at least. Option 3 provides that in case of death any residuum of his accumulations shall be paid to his estate and option 4 provides that he can take a certain annuity for a limited number of years. We thought that it was not worth while to complicate the measure by those additional provisions. While we have no objection to them at all, we thought in the course of time, five years or more, if there was a demand for any further provision, or if it was found that there was any surplus left over which ought to go to other sources, it could then be provided for by amendment. It would simplify conditions to provide only for options 1 and 2.

Mr. MANN. In reference to the theory of the bills, the bills provide for the payment by the employee of a certain percentage of his salary to the Government?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. To be invested by the Government?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. Is it the theory of the bills that the amounts so deposited with the Government shall be paid back to the employee in some form?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. If the employee dies while in the Government service what becomes of the fund?

Mr. HOLCOMBE. It goes to his estate.

Mr. MANN. There are no lapses to the Government?

Mr. HOLCOMBE. No, sir.

Mr. GODWIN. He gets the exact amount?

Mr. HOLCOMBE. Yes, sir; with accumulated interest.

Mr. FOSTER. How much do you estimate the Government will have to pay to start with?

Mr. HOLCOMBE. The outside estimate is $700,000 the first year.

Mr. MANN. Supposing he does not die but lives either to the age of retirement or is retired previous to the age of 70 years for disability, he can, as I understand it, take the amount that he has deposited with the Government with the increment of interest under this bill in one sum if he chooses?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. But suppose he prefers an annuity, how long will that annuity be paid to him; as long as he lives?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. Out of what fund?

Mr. HOLCOMBE. Option No. 2 would give him the annuity as long as he lives, and that would be calculated on his probable expectancy of life.

Mr. MANN. Suppose he lives one year, there is money enough in his deposit and interest to pay him the annuity?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. Suppose he lives twenty years?

Mr. HOLCOMBE. There is not; no, sir.

Mr. MANN. Suppose he lives one year and dies. There is some surplus in the fund?

Mr. HOLCOMBE. Yes, sir. In that case under option 2 it would lapse to the fund.

Mr. MANN. You propose to leave out option 2?

Mr. HOLCOMBE. No, sir; options 3 and 4.

Mr. MANN. Then, if he lives one year and dies, any surplus in his deposit and interest would lapse to the Government?

Mr. HOLCOMBE. To the fund; yes, sir.

Mr. MANN. Supposing he lives twenty years and his deposit with interest is only sufficient to pay him an annuity for five years, who makes up the difference?

Mr. HOLCOMBE. It is made up from these lapses and from other sources.

Mr. MANN. Is it made up principally from other sources?

Mr. HOLCOMBE. From lapses.

Mr. MANN. Is it confined to that?

Mr. HOLCOMBE. No, sir; not necessarily.

Mr. MANN. Is it confined to the Treasury of the United States?

Mr. HOLCOMBE. It would certainly be confined to the Treasury of the United States; it is confined to the fund, first of all.

Mr. MANN. Is it confined to the fund?

Mr. HOLCOMBE. I think not. It would be taken from the fund in the first instance.

Mr. MANN. If the fund was sufficient?

Mr. HOLCOMBE. Yes, sir; and we have been advised from the calculations made that the fund in the long run in any period of years, four or five years, would be sufficient.

The CHAIRMAN. In other words, it is based on the insurance mortality tables?

Mr. HOLCOMBE. Yes, sir.

The CHAIRMAN. And at the end the fund will be sufficient if the tables are correct?

Mr. HOLCOMBE. Yes, sir. It is our understanding and belief that this fund will meet the disbursements necessary for the annuities from year to year.

Mr. MANN. Is not that based wholly upon the fact that people will not be retired until they reach the age of 70 years?

Mr. HOLCOMBE. As a general rule.

Mr. MANN. Would that be true if people were retired at the age of 60 or 64 years?

Mr. HOLCOMBE. I think not, because the scheme is based on the general proposition that they shall be retired at 70 years of age.

The CHAIRMAN. Is it not true that if they retire at 60 years of age they get very much less from the retiring fund?

Mr. HOLCOMBE. Yes, sir.

The CHAIRMAN. So it amounts to the same thing?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. They live a great deal longer?

Mr. HOLCOMBE. But the annuity is much smaller.

Mr. MANN. The annuity for a man who has been in the Government service forty years at the age of 70 years would be one basis, and at the age of 60 years his annuity would be only 25 per cent less, but the length of time that he might draw the annuity might be four times as much, so there is no correspondence. Take the Life-Saving Service, for instance, and a large number of surfmen become absolutely useless long before they reach the age of 70 years and have to be retired, but they are apt to live for a great many years. Those that retire at the age of 50 years and live twenty-five years longer, will your retirement fund provide for annuities for the balance of their lives out of the fund?

Mr. HOLCOMBE. We suppose that the difference in rate which they would receive would provide for that. They receive a much smaller sum per annum than a man who has served a greater length of time and who is retired at 70 years of age.

Mr. MANN. You can very readily see that that will not make the corresponding difference to correspond with the increased length of life.

Mr. HARDY. Is it not the theory that when a man is retired the amount of money that has been deducted from his pay during his service is a lump sum?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. And it is estimated on the basis of his expectancy by mortality tables how much annuity that would purchase for him?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. Just as all the insurance companies do?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. So you take into consideration age at the date of retirement and the amount of contributions he has made under the assessment and figure the annuity on that?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. But that is all figured on the basis of a man retiring only at 70 years of age?

Mr. HARDY. I do not understand it so.

The CHAIRMAN. When a man retires, is not his annuity reckoned then as to the length of life?

Mr. HOLCOMBE. Yes, sir. It is reckoned at the date of retirement, and it is based upon the amount of money that he has to his credit. There is no obligation on the part of the Government to pay any annuity unless the man has money, and the amount of annuity will be governed entirely by the expectancy at the date of retirement.

The CHAIRMAN. And if he retires at 60 years of age he gets one annuity and at 70 years he gets another?

Mr. BROWN. Yes, sir.

Mr. EDWARDS. You stated that the cost the first year would be $700,000; what would be the scale of the figures each year and how long would it run?

Mr. HOLCOMBE. The figures are given in the printed report. They increase from year to year up to thirty years and then begin to decrease.

Mr. HARDY. Mr. Brown spoke about beginning with this new proposition by taking the present employees of the Government who had contributed nothing and taking their salaries for ten years and basing the annuity upon the proposition that you would make it just the same as if they had contributed for ten years. Now, your proposition is to take the whole aggregate of service?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. Instead of just ten years?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. Would not that make the annuity on the average greater instead of less?

Mr. HOLCOMBE. It is merely a matter of measurement.

Mr. HARDY. I know, if they had paid in 3 per cent or whatever it is of their salary for their entire time of service, but you place to their credit theoretically more money if you only run for ten years?

Mr. HOLCOMBE. The ten years being merely a matter of measure—for instance, a person getting $1,000 a year for ten years, 1½ per cent for a year, one year, would be $15, that would be the average and then multiply it by his entire length of service.

Mr. HARDY. Mr. Brown's proposition was that he worked all the time at the rate of ten years and give him the whole for the ten years. Either plan contemplates the Government paying this annuity when they have received nothing from the employee?

Mr. HOLCOMBE. Yes, sir.

Mr. HARDY. Do you think that would be an application of the public money that would be at all within the purview of the Constitution?

Mr. HOLCOMBE. The Government has retired lists in various directions.

Mr. COCKS. Have you any records to show whether men in office live longer than outside of office?

Mr. HOLCOMBE. We have not made that a matter of record.

Mr. MANN. Suppose a man enters the Life-Saving Service at the age of 18 years and at the age of 45 years should be retired, drawing an average salary of $60 a month for the years, how much annuity would he receive, and how long?

Mr. HOLCOMBE. That could be calculated.

Mr. MANN. I do not mean the actual figures, but about what would be the annuity that he would receive under this bill?

Mr. HOLCOMBE. Having received $60 a month, which is $720 a year, for twenty-seven years, we take his annual salary, $720, and multiply that by 27, getting the aggregate salary he had received from entrance to retirement, and give him an annuity of 1½ per cent of that.

Mr. MANN. Of the total salary?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. One and one-half per cent would amount, in that case, every year to 1½ times 27 multiplied by $720. That would give the amount of annuity that he would receive each year?

Mr. HOLCOMBE. Yes, sir; $291.60.

Mr. FOSTER. Every year?

Mr. HOLCOMBE. Yes, sir.

Mr. FOSTER. As long as he lived?

Mr. HOLCOMBE. Yes, sir; he would get it on the basis of 1½ per cent, but the bill provides that people in those lines of employment implying strenuous physical activity, who retire at an earlier age, shall receive a smaller rate. I think the bill would give him only 1 per cent instead of 1½ per cent. In that case the annuity would be $164.

Mr. MANN. Assuming that his annuity would be $164 a year, how much money would he have paid into this fund?

Mr. HOLCOMBE. That I can not answer offhand. The method of calculation would be based on the insurance tables. It is designed to deduct the requisite amount each month.

Mr. MANN. That is based upon what insurance tables?

Mr. HOLCOMBE. I will have to refer you again to our insurance expert, Mr. Brown.

Mr. MANN. A man in hazardous service, and hence in need of retirement, could not avail himself of this. I do not think a surfman is considered a very desirable risk by insurance companies?

Mr. HOLCOMBE. No, sir.

Mr. COCKS. You do not consider hazardous employment in this proposition?

Mr. HOLCOMBE. Section 6 of Mr. Gillett's bill provides three different groups of retirement—that the retirement age shall be 60 years for group 1, 65 years for group 2, and 70 years for group 3.

Mr. MANN. Where is the provision of the bill which says how much a man shall contribute of his salary or how much shall be retained out of his salary in order to make up this retirement fund?

Mr. HOLCOMBE. That is in section 1.

Mr. MANN. What does that provide?

Mr. COCKS. It says an amount that will be sufficient.

Mr. HARDY. Mr. Brown has a table here showing the amounts.

Mr. MANN. Has your committee made any estimate based on annuity tables of insurance companies in regard to the Life-Saving Service, the Revenue-Cutter Service, the Internal-Revenue Service, or other hazardous service of the Government?

Mr. HOLCOMBE. No, sir.

Mr. MANN. Where the companies refuse to issue in some cases insurance policies and only issue them at such exorbitant rates that they are not availed of?

Mr. HOLCOMBE. We have not had special tables made on those lines of employment.

Mr. MANN. You figure that a man in the Life-Saving Service as surfman will be required to deposit with the Government such sum of money out of his salary as will secure him an annuity based upon the date of his probable retirement from the service, which of course is very easily ascertained. Have you made any computation for that at all?

Mr. HOLCOMBE. No, sir.

Mr. MANN. He is supposed to deposit money, and have you estimated that it will probably take more than half of his salary to do it, or pretty close to that?

Mr. HOLCOMBE. No, sir.

Mr. MANN. Have you any computations about the Railway Mail Service and other extremely hazardous service based on the rates charged by annuity companies?

Mr. HOLCOMBE. I do not think we have.

Mr. MANN. How much would be taken out of the salary of a railway mail clerk?

Mr. HOLCOMBE. The amount taken would be based on his retirement at 60 years of age. We have provided that.

Mr. HARDY. The rate is the same for all classes of employees?

Mr. HOLCOMBE. Yes, sir.

Mr. COCKS. The bill says that the deductions provided for shall be based on such annuity table as the Secretary of the Treasury may direct?

Mr. HOLCOMBE. Yes, sir.

The CHAIRMAN. Before a man reaches the age of 60 years, if he is retired at 30 or 40 years of age, what does he get?

Mr. HOLCOMBE. If he has been in the service twenty years, he may then take an annuity; if less than twenty years, he merely gets his money back; he does not get any annuity.

Mr. MANN. It is the almost invariable rule in certain classes of employment, such as I have mentioned, that they have to be retired in some way before the age of 60 years. That comes from the character of the occupation. They would be retired naturally probably between the ages of 40 and 50 years. Most of them go into the service in time to be in service twenty years, and you would have either to pay them out of the Treasury of the United States, without regard to the amounts they paid in, or else base your table upon a proposition that they must pay in so much money that there is nothing of their salary left.

Mr. HOLCOMBE. We hope that you will correct any difficulty of that kind.

Mr. COCKS. Are these mortality tables based on different occupations?

Mr. Brown. The basis for the price of an annuity is exactly the reverse of the basis for the price of an insurance policy. When an insurance company accepts a man as an insurance risk they are very anxious that he shall be a good risk. When they are looking at an annuity risk they are very glad to have a poor risk. The matter of hazardous occupation cuts no figure in the price of an annuity.

Mr. Holcombe. We recognize difference of occupation only in section 6, which provides for these three different groups. The man whose occupation is physically wearing we provide may be retired at 60 years, the ordinary clerical employee at 70 years, and a certain intermediate group, whose occupation is not so strenuous as the first and more so than the second, at 65 years. Only to that extent do we recognize what you might call hazardous or wearing occupations. Then the man contributes, as Mr. Hardy has recognized, on the basis of his salary and the length of time of his service. The first group would retire at 60 years, with annuity of 1 per cent per year of their aggregate salary.

Mr. Edwards. Where does that 1 per cent come from?

Mr. Holcombe. That comes from the accumulation of his salary, in the first instance.

Mr. Mann. Would 1 per cent be sufficient to maintain him?

Mr. Holcombe. It would not maintain him, but it would do something.

Mr. Mann. Are the tables here based on the theory that the annuity will be sufficient to maintain a man and support him?

Mr. Holcombe. We fear not to support him, no.

Mr. Mann. I would like to ask you whether you figure that the annuities will be sufficient to support the people who receive them?

Mr. Holcombe. In some cases they might. This illustration I have here, a person 83 years of age who has been in the service twenty-five years and getting $1,200——

Mr. Mann (interrupting). That does not arrive at the annuity at all. In arriving at any plan for providing an annuity it must be based on the proposition that you pay the annuitant enough to take care of him or else you do not pay him enough to take care of him. Which proposition have you taken in making this bill?

Mr. Holcombe. We have taken what seemed to us the best proposition, to pay him an annuity based on the length of his service and the rate of his salary.

Mr. Mann. That is purely arbitrary. You think that will not support him?

Mr. Holcombe. We would much prefer that Congress should give an out-and-out annuity of from $600 to $900 to every person retiring, but we did not think the proposition would be acceptable to you.

Mr. Mann. Do you think that if Congress should now provide an annuity of $600 or $900 a year that that would be satisfactory to the Government employees?

Mr. Holcombe. I think it would be highly gratifying to them. I do not see why it should not be satisfactory.

Mr. Mann. How long would it be before those on the retired list would insist that that was not a sufficient fund with which to live?

Mr. Holcombe. You are as good a judge of human nature as I am.

Mr. MANN. I have my opinion, but I wondered what your opinion was. What is the object of Congress providing any annuity at all if the annuity will not be sufficient to maintain the annuitant?

Mr. HOLCOMBE. In some cases it would maintain the annuitant if he had been in the service long enough. Some of these illustrations here show that the annuitant would receive $450, $396, $518, and there is one case where the annuity would be as high as $773, a person who has been in the service thirty-five years.

Mr. MANN. Is the theory of your bill that at the salaries now paid Government employees they will not accumulate themselves personal funds upon which they can live in old age?

Mr. HOLCOMBE. Yes, sir.

Mr. MANN. And hence the proposition is presented that the Government shall save for them money enough so that it can give them money enough to support themselves in old age; is that the theory?

Mr. HOLCOMBE. That is the ideal theory.

Mr. MANN. Is it not necessary, if the theory be adopted by the Government, to provide the means with which to carry out the theory to actually accumulate a sufficient fund so the annuity received by the annuitant may be sufficient to support an ordinary economical man in ordinary circumstances?

Mr. HOLCOMBE. That is very desirable and we should like to have it here.

Mr. MANN. Will your bill do that?

Mr. HOLCOMBE. I am afraid it will not. We do not know how to frame a bill, based on salaries and length of service, that would do that.

Mr. MANN. This is purely arbitrary. You select certain arbitrary figures without knowing whether the result will support the annuitants or not?

Mr. HOLCOMBE. From that point of view, we have to say it is.

STATEMENT OF HON. JOSEPH A. GOULDEN, A MEMBER OF CONGRESS FROM THE STATE OF NEW YORK.

Mr. GOULDEN. I am here simply as a spectator, interested in collecting and collating, with the aid of the committee and with the authorities, statistics as to the conditions as they exist now in various municipalities of this country, various corporations, and in foreign countries. I hope to have this data before you within the next ten days, if you will allow me that length of time. It is a much larger contract than I thought it would be when I began.

Mr. MANN. Will you please include in that tabulation an accurate statement concerning the school pension fund of the District of Columbia right under our observation?

Mr. GOULDEN. No; I am sorry I can not do so, as we have no such provision in this city, but I can include in that statement the retirement fund of the city of New York, and in that connection I was one of the fathers of that fund. As a commissioner in 1893 I visited the schools and discovered that there was a marked degree of inefficiency on the part of a few of the principals and teachers who had served forty years, fifty years, and even sixty years, and at once helped to bring in a resolution to provide for a retirement fund, and to-day, after fourteen years' experience, I think it was one of the best things

that ever happened to the public schools of the city of New York. We have a retirement list. The minimum rate is $600 and the maximum rate $1,500, with $2,000 for superintendents, the average being about $700 a year. In the month of February just closed the cost was $60,000. It averages about $60,000 a month. We have funds sufficient to retire all that need it.

Mr. MANN. Because they have not money enough?

Mr. GOULDEN. Yes, sir. We retire them as fast as required. It works admirably. We also have the fire, health, and police department retirement fund, and they are all based upon an assessment upon the salaries of the members of these organizations and other receipts. For example, 1 per cent of the salaries of the teachers.

Mr. MANN. And what else?

Mr. GOULDEN. Five per cent of the fees obtained from licenses.

Mr. MANN. Saloons?

Mr. GOULDEN. Yes; and the fines that arise from absence. For example, a teacher who is getting $150 a month is absent a week or two weeks. On long-continued illness there is no fine until after three weeks have elapsed.

Mr. MANN. Do you know what the total license fees of the city of New York are?

Mr. GOULDEN. I do not; but I will furnish that information later.

Mr. MANN. Is there any other fund contributed to the teachers' pension fund?

Mr. GOULDEN. No. We have a fund of nearly $1,200,000 in the treasury.

You spoke of hazardous occupations. I have been connected with a large insurance company for a great many years and there is very little of that now considered. The only exceptions we make are the Life-Saving Service, the manufacturers of explosives, freight conductors, freight brakemen, balloonists, and submarine-boat operatives.

Mr. COCKS. You do not exclude the railway mail clerks?

Mr. GOULDEN. No. Some years ago we had a clause in our policies that an officer of the army going to the Philippines or to the Tropics was obliged to pay an extra rate for that hazard. We stopped that.

Mr. HARDY. Was that from patriotic motives?

Mr. GOULDEN. No; however, that may have had its influence.

Having always taken an active part in the matter, I introduced the bill because no one seemed to do so, in order that it might receive a fair consideration from Congress. I am very glad to see that the chairman, my distinguished colleague from Massachusetts, has also introduced a bill. I want to say that this is the first time I heard of it. There is one thing that I think you will find in the consideration of this measure, and that is the saving yearly on account of the greater efficiency in the service in the various Departments that should be worth a great many million dollars yearly to the Government. There is no doubt that there is a large number of people who ought to be retired, but how are you going to do it? I think it absolutely wrong—in fact, inhuman—to turn those old people out after having served the Government faithfully for thirty-five, forty, forty-five, or fifty years. It should be done, I know, but no member of this committee is now willing to do so.

Then, too, you are going to attract a superior class of young men and women to the service if they can feel that when their time comes

for retirement on account of age they are not going to be thrown out on the world. It is hard for people on salary, even on the salary Members of Congress are receiving, to save money. I thank the committee for its courtesy, and hope to be able to go into the matter more fully in a short time.

The CHAIRMAN. What does your bill provide as to a man leaving the service before the retiring age either on account of disability or inefficiency?

Mr. BROWN. A person may retire at any time and draw his savings with the interest his savings have earned. If he has been in the service for twenty years, he may have the benefit of any one of the options named in the bill.

The CHAIRMAN. Do you mean to say that he would get the $1\frac{1}{2}$ per cent?

Mr. BROWN. No, sir. He may purchase such annuity as the funds to his credit will buy. If it is found that a given rate for an annuity at a given age is not sufficient, the Secretary of the Treasury is authorized to adopt a new mortality table and increase the rate to an amount that will make it safe.

Mr. HARDY. When a man retires voluntarily or at the end of his period, he is given his actual contribution plus 4 per cent interest?

Mr. BROWN. Yes, sir.

Mr. HARDY. One option is to take that money and the other option is to let the Department, according to the proper tables, estimate what annuity that would buy in an insurance company?

Mr. BROWN. Yes, sir; he could take his money in one sum, or in lieu of one sum receive an annuity from the Government. The amount of his annuity, if he elected to take an annuity, would depend upon the amount of money to his credit at the time of retirement and upon his age. The annuity rates charged by the Government would probably be somewhat lower than those charged by insurance companies, for the reason that there would be no loading in the premium for expense.

The CHAIRMAN. Is not this the proposition: a computation is made when he goes into the service and it is made to be due only when he gets to be 70 years of age, so as to pay him $1\frac{1}{2}$ per cent?

Mr. BROWN. Yes, sir.

The CHAIRMAN. But suppose he goes out of the service when he is 40 years of age, and the fund is not big enough to pay him $1\frac{1}{2}$ per cent, what does it give him?

Mr. BROWN. The annuity would be for such an amount as his savings would purchase at the age when he retired from the service. If his salary had been $100 a month during his entire period of service, and he entered the service at the age of 20, his deduction from salary would have been $3.57 a month, and this deduction, improved by 4 per cent compound interest, would amount in that time to $1,303.19. The price charged by a number of the leading insurance companies for an annuity of $100 at age of 40, first payment in one year, is $1,693. Therefore, on this basis, the amount of annuity which his savings would purchase would be determined by dividing $1,303.10 by $1,693, which gives us $78.67. Of course, if the price charged by the Government were lower, the annuity would be somewhat greater, and it probably would be lower, since the price charged by the Government would contain no loading for expense.

Mr. COCKS. Mr. Mann's idea, as I gatherd from his question and my own question, was as to whether it had been taken into account in making these computations that quite a large portion of these men are in what we call semihazardous service?

Mr. BROWN. That was taken into account in this way: Hazardous service necessarily means an early retirement, and therefore when it comes to deductions from salary it will be necessary to take a larger amount. For instance, a person entering the service at 20 years of age and retiring at 60, would serve forty years. The cost of an annuity of $100 payable throughout life beginning at 60 years of age is $1,066. If the person in question receives $1,200 a year straight through, 1½ per cent of his salary would be $18. Now, he serves forty years, and accordingly he would be entitled to an annuity equal to forty times $18, or $720. The cost of an annuity of $100 beginning at the age of 60 is $1,066, and therefore the amount he would have to accumulate would be 7.2 times $1,066, $7,675. That amount of money will buy the required annuity of $720 at age 60. One dollar per month improved by interest at 4 per cent compounded annually for forty years would be $1,165, and by dividing $7,675 by $1,165 we get $6.59, which would be the monthly deduction required from a person entering the service at 20 years of age and who contemplated retirement at 60 years of age and who received a salary of $100 a month.

The CHAIRMAN. Suppose he goes out at 50 years of age?

Mr. BROWN. Then, whatever money he had to his credit could be converted into an annuity, if he so selected, or withdrawn in cash.

The CHAIRMAN. But he would not get an annuity?

Mr. BROWN. No, sir; if the amount to his credit on retirement was less than $1,000.

The CHAIRMAN. You have provided in the bill that the Government shall pay for all employees now in the service?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Which you give us in the aggregate as $60,000,000.

Mr. BROWN. Yes, sir; or less.

The CHAIRMAN. Could not that be eliminated and could the bill be changed not to apply to those in the service and only to those coming into the service?

Mr. BROWN. Part 2 of the bill, as we call it, refers to annuities payable by the Government for services up to the time the bill becomes a law and is not in any way essential to the operation of the plan. Part 2 simply hastens the results. Without part 2 the benefits under the plan would not be fully realized for thirty or forty years.

The CHAIRMAN. So if the committee should think that the Government could not afford to go into this plan of paying to the present clerks the same rate they would pay in the future to those who themselves had contributed, they could make the plan take effect and apply simply to future clerks as fast as they come in?

Mr. BROWN. Yes, sir.

Thereupon the committee adjourned.

THE COMMITTEE ON REFORM IN THE CIVIL SERVICE,
Friday, March 20, 1908.

The committee this day met, Hon. Frederick H. Gillett in the chair.

The CHAIRMAN. You may proceed, Mr. Goulden.

STATEMENT OF HON. JOSEPH A. GOULDEN, A REPRESENTATIVE FROM THE STATE OF NEW YORK.

Mr. GOULDEN. Mr. Chairman and gentlemen of the committee, I desire to call the attention of the committee to House bill 17969, introduced by me on February 25. This measure was the subject of a special message by the President of the United States under date of February 21, and was based on the report of the Assistant Secretary of the Department of Commerce and Labor and the Chief Forester. I desire to quote some paragraphs from that report:

WASHINGTON, D. C., *February 18, 1908.*

GENTLEMEN: Your subcommittee on personnel has the honor to submit the following report on the question of superannuation:

Suitable provision for the retirement of aged civil employees of the Government is desirable on two grounds:

(1) As a means of improving the public service, since the possible loss to the Government through the superannuation of its employees is estimated by the National Civil Service Reform League to be about $400,000 in the Departments at Washington and about $800,000 outside of Washington; or, in the whole classified service of the United States, $1,200,000.

(2) As an act of justice to the faithful employees.

The salaries paid are seldom sufficient to admit of laying aside anything for old age, especially in Washington, where the expenses of living are now out of all proportion to the compensation received. The average salary paid by the Government, according to Census Bulletin No. 12, is only $1,072, a sum sufficient perhaps for celibates that cherish but a paltry ambition, but most assuredly not adequate for persons of commendable aspirations or encumbered with the responsibilities and obligations of family ties.

And your subcommittee believes that a provision for retirement can be made efficient, just, and successful only by reserving to the Government itself the administration of the plan.

* * * * * * *

The plan contemplates two methods of settlement for the employee on arrival at the age of retirement. He may convert his savings with the increment of interest into one of the following options:

(1) Cash sum.

(2) An annuity payable throughout life.

* * * * * * *

The question naturally arises, How much will the adoption of this plan cost the Government? From the time of the passage of such a law all employees would begin to provide for themselves, so that ultimately the plan would be no expense to the Government beyond the payment of salaries to the necessary clerical force to handle the accounts. In the meantime, however, the Government would have to take care of the old employees as they reach the retiring age, for services rendered prior to the adoption of the plan, until about fifty years from now, when the last one would have been paid off. The sum required to do this annually would gradually increase for a few years, reaching its maximum about thirty years after passage of the law. From the twenty-fifth to the thirty-second year after the adoption of the plan the amount each year is about the same. After the thirty-third year the amount each year drops off very rapidly until in fifty years the plan would be self-sustaining and there would be no more need of making appropriations for the superannuated.

In 1904 the Bureau of the Census made a report on the Executive Departments, which is the latest authoritative information that we have regarding the personnel of the civil service. It is known as Bulletin 12 and covers the service as of July 1, 1903. In order to ascertain definitely the maximum amount

of money that the Government would have to pay during the next fifty years or so if this plan of retirement should be adopted, tables based on Bulletin 12 were prepared for all ages at which people are employed in the classified civil service, showing the annuities payable the year of the adoption of the plan and each year thereafter until all present employees are dead and their sum total, or what it would cost the Government to put the plan in operation and carry it through to completion. They show that the maximum cost of this retirement plan to the Government will be as follows:

Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil service July 1, 1903, upon attaining the retirement age of 70 years (the amount of annuity to be 1.5 per cent of the employee's salary July 1, 1903, for each year of service completed prior to that date).

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$725,110	1930	$1,663,981	1953	$484,069
1908	811,840	1931	1,699,374	1954	403,305
1909	908,188	1932	1,713,035	1955	331,667
1910	1,025,293	1933	1,724,385	1956	269,380
1911	1,157,181	1934	1,734,603	1957	216,046
1912	1,258,725	1935	1,736,047	1958	170,947
1913	1,370,710	1936	1,744,512	1959	133,347
1914	1,466,424	1937	1,746,561	1960	102,450
1915	1,526,551	1938	1,736,974	1961	77,434
1916	1,570,768	1939	1,718,542	1962	57,499
1917	1,579,132	1940	1,684,723	1963	41,884
1918	1,564,974	1941	1,635,423	1964	29,877
1919	1,550,742	1942	1,568,188	1965	20,829
1920	1,534,636	1943	1,492,830	1966	14,152
1921	1,531,851	1944	1,406,199	1967	9,354
1922	1,512,159	1945	1,314,000	1968	5,971
1923	1,554,679	1946	1,211,837	1969	3,697
1924	1,546,866	1947	1,103,182	1970	2,199
1925	1,550,718	1948	990,583	1971	1,251
1926	1,555,588	1949	889,324	1972	679
1927	1,571,682	1950	772,735	1973	346
1928	1,589,167	1951	669,126	1974	163
1929	1,617,302	1952	572,770		

It should not be forgotten that this is a maximum cost, and that the real cost will probably be greatly less, since many employees who enter into this competition will leave the service before reaching the age of 70. Compare this maximum cost of considerably less than $2,000,000 annually for a term of forty years with that of any other plan ever proposed, and it will be seen how little is asked of the Government.

These quotations, from one of the best and most conclusive reports that I have ever read, will do much to give a proper conception of the purposes of the bill referred to. It settles the question of a civil pension list, to which I would be unalterably opposed as such, and makes it possible to provide relief for a deserving class of Government employees. This measure is a humane one and in keeping with the spirit of a free, God-fearing, liberty-loving people.

To turn out on the cold charity of the world the old employees who have faithfully and honestly served the Government that many of them have helped to save would be repugnant to every patriotic man and woman in the country.

As other governments, States, municipalities, and even corporations (who are popularly supposed not to have souls to save or bodies to kick) are doing this, an act of common justice, why should Congress hesitate? I beg leave to add these statistics and at the same time acknowledge my indebtedness to the various gentlemen associated with the special committee before referred to.

I have a mass of statistics which I trust will not bore the committee.

Take the city of New York. First, the police pension fund, city of New York, charter of Greater New York, sections 351–367. The receipts in 1907 were $1,516,945.56. The balance left over on December 31, 1906, was $63,719.98, so that we had a total amount available on the 1st of January, 1907, of $1,580,665.54. The disbursements for 1907 were, pensions paid to policemen retired, $1,510,230.23.

Mr. FOSTER. Do you take out something from the pay?

Mr. GOULDEN. Yes, sir; I think it is 1 per cent.

Refunded to policemen for sick benefits, etc., $19,816.13. The number of male pensioners is 1,768; widows, 1,039——

The CHAIRMAN. How long has it been in operation?

Mr. GOULDEN. It runs back at least twenty years.

Children, 155, or a total number receiving benefits from the police pension fund of 2,962.

Fire department, New York City, 1907, Greater New York charter, subdivision 8, section 789: Receipts for 1907, bureau of combustibles, $92,340.50; contributions from various people who are kindly disposed toward the fire department in one way and another, $24,648; excise licenses, $369,073.52; foreign fire insurance tax, $127,162.72; penalties, etc., fines of policemen of ten, twenty, or thirty days' pay, $51,002.71, making a total of $664,227.45. We had a balance on December 31, 1906, of $853,112.63. There was retired men during the year paying out $429,131.95; pensions for widows and orphans, relieved men, etc., $225,173.25, making a total amount paid out of $654,305.20.

Public school-teachers' retirement fund, provided for under section 1092, charter of city of New York, amended, chapter 167, laws of 1907.

The retirement fund shall consist of—

1. All money, pay, or income forfeited, deducted, etc., from the teachers.
2. All moneys received from donations, etc.
3. Five per cent annually of all excise moneys or license fees.
4. One per cent of the salaries of teachers and principals.
5. All such other methods of increment as may be duly and legally devised for the increase of said fund.

The receipts for 1907 were $784,354.89.

The CHAIRMAN. The great bulk of that amount, if it had not gone there, would have gone into the city treasury?

Mr. GOULDEN. Yes; and the fines and deductions would not perhaps have been so large. Those who were fined for absence or for any other cause were willing to pay the amount because they knew that it went into a fund which would benefit themselves.

The balance on January 1, 1907, was $1,102,028.19, giving us a total of $1,886,383.08. The disbursements in 1907 were $689,390.64, leaving a balance on hand on January 1, 1908, of $1,196,992.44.

The CHAIRMAN. That is invested separately?

Mr. GOULDEN. Yes; invested separately in the bonds and stocks of the city of New York.

Mr. KIMBALL. Is any of this fund invested in any other bonds?

Mr. GOULDEN. I think not. The total number of teachers in the system is 15,000.

Mr. FOSTER. Is it compulsory?

Mr. GOULDEN. Yes. The total number of annuitants February, 1908, were 966.

The CHAIRMAN. How long has the law been in existence?

Mr. GOULDEN. Since 1905. I was somewhat instrumental in bringing that about. The amount paid in February, 1908, was $60,072.07. The average annuity is $621.86.

The CHAIRMAN. How do they decide when the teachers are to be retired? Are you going to tell us that later?

Mr. GOULDEN. Yes. First, let me say that the minimum annuity for teachers is $600 and the maximum for a principal $1,500, and for a superintendent, whose salary is $6,500, $2,000. There are only two superintendents retired, and a very limited number of principals, as you can understand. That is decided upon by a report made first by the district superintendent. We divide the territory up into districts, and each district has a superintendent, and there is a certain number of districts, so that each one has a superintendent over, say, 20 schools. His special duty is to look after those 20 schools and report to the associate superintendent, who has charge of 3 districts. He in turn reports to the city superintendent. Then the matter goes before the board of superintendents, made up of all the associate superintendents, 8 in number, and the city superintendent, who decide upon the matter of retirement.

The CHAIRMAN. Is there any age limit? Suppose a teacher is 30 years of age and gets an illness from which she can not recover. Is she retired?

Mr. GOULDEN. The time is thirty years for a woman and thirty-five years for a man. If they have been in the public school system of New York City at least ten years and the balance of the time, twenty years for a woman and twenty-five years for a man, in any other State or city in the country, so long as they have been engaged in teaching in the public schools.

The CHAIRMAN. And they get the New York annuity?

Mr. GOULDEN. Yes; if they have complied with the above requirements.

I have a letter from Prof. Lyman A. Best, who has taken a very active interest in the matter, and who is one of the principals. It is dated March 19, 1908, and reads:

> I have your letter of March 17, in which you make certain inquiries about the New York City teachers' retirement fund, and take pleasure in furnishing you the information desired. New York City teachers' retirement law—retirements, deaths, income, disbursements from 1895 to 1907; also retirements and deaths during 1908 to date.

In 1895 there were 35 teachers retired, 2 died, and 33 on the roll at the end of the year. In 1896, 62 retired, 2 died, and 93 on the roll. In 1897, 76 retired, 1 died, and 168 on the roll. In 1898, 31 retired, 11 died, and 188 on the roll. In 1899, 130 retired, 8 died, and 130 on the roll. In 1900, 46 retired, 10 died, and 346 on the roll. In 1901, 78 retired, 9 died, and 415 on the roll. In 1902, 121 retired, 20 died, and 516 on the roll. In 1903, 97 retired, 13 died, and 598 on the roll. In 1904, 112 retired, 31 died, and 679 on the roll. In 1905, 38 retired, 23 died, and 694 on the roll. In 1906, 197 retired, 18 died, and 873 on the roll. In 1907, 86 retired, 29 died, and 930 on the roll. In 1908 up to date 44 retired, 9 died, and 965 on the roll. The total number on the roll is 965.

Mr. FOSTER. How many are there on the active list?

Mr. GOULDEN. Fifteen thousand. The net disbursements, beginning with 1899 were $123,524.18. At that time they had 310 on the roll; in 1900, $209,702.86; 1901, $245,570.08; 1902, $371,832.89; 1903, $420,026.99; 1904, $477,418.74; 1905, $526,502.36; 1906, $616,984.54, and 1907, $689,390.54. Then we have the receipts in detail if you are interested in them.

The CHAIRMAN. Just hand those to the stenographer.

The statement referred to follows:

DEPARTMENT OF EDUCATION, BOARD OF RETIREMENT,
New York, March 19, 1908.

Hon. JOS. A. GOULDEN, M. C.,
Washington, D. C.

DEAR MR. GOULDEN: I have your letter of March 17 in which you make certain inquiries about the New York City teachers' retirement fund, and take pleasure in furnishing you the information desired.

NEW YORK CITY TEACHERS' RETIREMENT LAW.

Retirements, deaths, income, and disbursements from 1895 to 1907; also retirements and deaths during 1908 to date (March 19, 1908).

Year.	Retired.	Died.	On roll December 31.	Income (net).	Disbursements (net).	Balance, December 31.
1895	35	2	33	(?)	(?)	(?)
1896	62	2	93	(?)	(?)	(?)
1897	76	1	168	(?)	(?)	(?)
1898	31	11	188	(?)	(?)	(?)
1899	130	8	310	$381,213.59	$123,524.18	$360,516.35
1900	46	10	346	397,993.23	209,702.86	548,746.72
1901	78	9	415	492,711.32	245,570.08	795,887.06
1902	121	20	516	422,353.55	371,832.89	846,407.72
1903	37	[a]13	598	426,453.45	420,026.99	852,834.18
1904	112	31	679	516,634.42	477,418.74	892,049.86
1905	38	23	694	647,392.38	526,502.36	1,012,939.88
1906	197	18	873	706,072.85	616,984.54	1,102,028.19
1907	86	29	930	784,354.89	689,390.64	1,196,992.44
1908 (to date, March 19, 1908)	44	9	965			
Total on roll at date, March 19, 1908	1,153	[a]186	965			

[a] 2 dr.

NEW YORK CITY TEACHERS' RETIREMENT FUND.

Receipts in detail (auditor's figures) from beginning to January 18, 1908.

Year.	Net absence deductions.	One per cent deductions.	Excise moneys—5 per cent.	Interest.	Donations.	Total.
1894	$25,082.51	None.	None.	None.	None.	$25,082.51
1895	(?)	None.	None.	None.	None.	(?)
1896	(?)	None.	None.	None.	None.	(?)
1897	(?)	None.	None.	None.	None.	(?)
1898	(?)	None.	None.	None.	None.	(?)
1899	106,374.23	None.	$269,094.83	$5,744.53	None.	381,213.59
1900	131,073.86	None.	266,859.37		None.	397,993.23
1901	200,883.04	None.	265,853.17	25,975.11	None.	492,711.32
1902	146,703.70	None.	262,066.04	13,583.81	None.	422,353.55
1903	160,535.67	None.	265,917.78		$300.00	426,453.45
1904	193,062.99	None.	281,964.66	41,606.77		516,634.42
1905	186,727.32	$92,638.93	281,973.60	86,052.53		647,392.38
1906	211,976.05	169,054.42	285,275.54	39,766.84		706,072.85
1907	274,743.13	178,214.73	287,853.89	43,155.13	388.01	784,354.89

Many other facts are included in my annual report as secretary of the board of retirement, which is now being printed. Will send you a copy as soon as it is out. If I can be of help to you in any other way, please command me.

Very truly, yours,

LYMAN A. BEST.

The CHAIRMAN. Suppose a teacher who has served ten years becomes inefficient and the superintendent wants him dropped; he does not get any annuity?

Mr. GOULDEN. No.

The CHAIRMAN. That must make it pretty hard?

Mr. GOULDEN. No, sir; that would be putting a premium upon inefficiency, to retire them with an annuity. The inefficient teachers usually take a summer course at one of the universities. There is a large class of teachers attending the New York and Columbia universities, people who want to become principals or others who are deficient.

Mr. FOSTER. I assume from your statement with reference to the police and fire force that there are sums of money returned?

Mr. GOULDEN. In those departments because they are liable to be injured in the discharge of their duty.

Department of health, New York City, Greater New York charter, sections 1319–1324. The receipts in 1907 were $42,018.67. That is a new retirement fund, recently created. The amount on hand is $222,823.73. On the 1st of January, 1907, the total amount on hand was $264,842.40. The disbursements were $25,271.78, leaving a balance of $239,570.62. The number of pensioners in 1907 were 37 and the average annuity $683.

Here is something new, which was enacted into law quite recently, I think last year—retirement from active service of officers, clerks, and employees in the department of finance. I will say that the legislature passed a bill two years ago providing a retirement fund or a civil pension to all employees of the city of New York, but the mayor vetoed it. This, however, was not vetoed. (Charter, Greater New York, sections 165–168.) The comptroller is authorized, when it shall be to the interest of the public service, to recommend to the board of estimate and apportionment the retirement of any employee who shall have become physically or mentally incapacitated. In the event of the employee performing duty in the office of the chamberlain, then the chamberlain is authorized to make the recommendation to the board of estimate and apportionment for such retirement. The employee must have been employed for at least ten years. Under this law so far but one employee has been retired.

Philadelphia: The city of Philadelphia Police Pension Fund Association. The object of this association is to accumulate a fund from the dues of its members, and from legacies, bequests, gifts, and other sources, in order that from this fund pensions may be paid to the members of the association and to the families of deceased members, said payment to be determined by the by-laws of the association. The city appropriates $50,000 per year for the fund. The pension is one-half pay. A member can retire after twenty years' service and must be at least 50 years of age. There is accompanying that the by-laws, etc., of that association.

Philadelphia further. The firemen's pension fund is supported by private contributions, by the payment of 2 per cent of their salaries, and an appropriation of $15,000 per year by the city councils; also the appropriation of one-half of the 2 per cent paid the State for foreign insurance. The average amount from this last source is $33,000 per year. The members are retired after twenty years of service or an account of disablement in the line of duty, the pension

amounting to one-half of the regular pay. In the case of death of members as a result of injuries received in the line of duty, widows receive $20 per month and children $6 per month until 16 years of age.

Philadelphia continued. A teachers' retirement fund, under the authority of section 6 of the act of assembly of April 22, 1905. This fund went into operation on the 1st of January, 1907. The board of education appropriated $50,000 in 1907, and a like appropriation for 1908. The 1 and 2 per cent collected monthly from the teachers produce a revenue of about $50,000 yearly.

The law provides for the retirement of teachers voluntarily after they become 60 years of age with thirty years of service to their credit. They may also be retired after thirty years of teaching regardless of their age. Partial annuities are also provided for those who become disabled, with five years and less than thirty years of service to their credit. The minimum annuity is $400 and the maximum $800.

The State of Illinois. Formation and disbursement of police pension fund. In accordance with State law, in each city, village, or incorporated town, having a population of 50,000 inhabitants or more, there shall be paid to the treasurer thereof the following moneys to constitute a police fund, viz:

First. Two per cent of all moneys received from licenses for the keeping of saloons or dramshops.

Second. Three-fourths of all moneys received from taxes or from licenses upon dogs.

Third. All moneys received from fines imposed upon members of the police force of sai dcity, village, or town for violation of the rules and regulations of the police department.

Fourth. All proceeds of sales of unclaimed stolen property.

Fifth. One-fourth of all moneys received from licenses granted to pawnbrokers, secondhand dealers, and junk stores.

Sixth. All moneys received as fees and from fines for carrying concealed weapons.

Seventh. One-half of all costs collected in money for violation of city ordinances.

Eighth. All rewards given or paid to members of such police force, except such as shall be excepted by the chief officer of police.

Ninth. One per cent per month, which shall be paid by or deducted from the salary of each and every member of the police force of such city, village, or town, provided no such member shall be compelled to pay more than $2 per month from his salary.

Beneficiaries: Physical disability after twenty years' service, one-half pay; death in performance of duty, one-half pay; widows and children of members who lose life in performance of duty, one-half pay.

Then there is the law from which I have quoted. I think that covers all of that.

This is a letter addressed to Hon. J. W. Holcombe, Washington, D. C., under date of March 5, 1908, and is from Mr. F. G. Blair, superintendent of public instruction, State of Illinois:

I have your letter making inquiries about several matters. The city of Chicago has a pension law which seems to be working fairly well. It is based

upon the assessment plan, but by a recent amendment the city is supposed to turn into the fund certain fees. I wish I could give you the facts concerning it, but you would better write to Supt. E. G. Cooley, of Chicago, who can furnish you with the exact data.

The police and members of the fire department of Springfield have a mutual insurance and protective association. It is mutual and has no connection either with the city or with the State.

Here is a letter addressed to Hon. Elton Lower, president civil service commission, dated Chicago, March 7, 1908, from the deputy comptroller, department of finance. It reads:

In response to your recent request I beg to submit the following synopsis of provisions of act establishing revenues to police pension fund (as amended by act approved May 16, 1903) and statement of amount and sources of revenue on account of year 1907:

Three per cent of wholesale liquor licenses, $990.25; 3 per cent of saloon licenses, $216,540; 75 per cent of dog licenses, $92,274; 25 per cent of pawn brokers' licenses, $6,300; 25 per cent of second-hand dealers' licenses, $2,956.25; 25 per cent of junk dealers' licenses, $2,037.50; 3 per cent of all licenses not mentioned above, provided that receipts under this item shall not exceed $25,000 per annum, $18,805.17; all special details, $35,350.92; proceeds of sales, unclaimed, lost, or stolen property, $1,245.37; all of fees and fines for carrying concealed weapons, $10,448; one-half of costs collected for violations of city ordinances, $43,718.75; all rewards given or paid to members of force, except such as shall be excepted by chief of police.

Mr. HARDY. What does that mean?

Mr. GOULDEN. Rewards to members of the force for heroic conduct on duty.

Mr. HARDY. Is that put into the fund for the general benefit?

Mr. GOULDEN. Yes; but there is none recorded. Evidently the chief of police excepts them all.

One per cent of pay roll, provided no member shall pay more than $1 monthly, and all fines on members of force, $42,648.86; 1 per cent per month of pensions, $2,022.

State of Illinois, senate, No. 408, March, 1907. An act to authorize the retirement from service of members of the fire department in all cities whose population exceeds 50,000 inhabitants having a fire department (approved May 13, 1887, in force July 1, 1887, and as amended by an act approved March 28, 1889, in force July 1, 1889):

Fund, how created: In all cities, villages, and incorporated towns whose population exceeds 5,000 having a paid fire department, 1 per cent of all revenues collected or received by such city, village, or incorporated towns from licenses issued by such cities, etc., also all fines imposed for violations of fire ordinances.

Rewards, gifts, devises, etc.: All rewards in money, gifts, fees, and all emoluments to be added to said fund.

Beneficiaries: Substantially under the same rules and regulations of the State governing the retirement of members of the police department. That is about the same thing.

Indiana teachers' pension fund. Chapter 170 (approved March 9, 1907). In all cities of the State having a population of 100,000 or more there shall be created a teachers' pension fund.

Fund, what constitutes it:

1. All moneys that may be given to trustees for teachers' fund by any person or persons.

2. Every teacher shall be assessed upon his or her salary as follows: 1 per cent per annum (but not more than $10) upon the salary of every teacher who shall not have taught in excess of fifteen years,

and 2 per cent per annum (but not to exceed $20) upon the salary of every teacher who shall have taught longer than fifteen years.

Uses of fund:

First. The maximum pension to be paid any teacher shall be $600 per annum, which amount shall be based upon a service of forty years as such teacher, and every pensioner of said fund shall be entitled to and shall receive such percentage of said sum of $600 as the number of years of said pensioner shall bear to the term of forty years, subject, however, to all the provisions of the act.

Second. Any aged, infirm, diseased, or disabled teacher who is now or hereafter may be employed in the public schools of such city, having served as such teacher for not less than fifteen years, shall be entitled to receive a disability pension.

Indiana police pension fund. Chapter 19, an act to amend sections 177, 178, and 179, approved March 6, 1905.

Police pension fund—moneys of fund:

First and second. Of all moneys that may be given for the use of the police pension fund; also any gifts, grants, personal property, real estate, etc.; also all fines imposed upon members of the police force.

Third. Every member, in accordance with the by-laws, shall be assessed not less than 1 per cent nor more than 1½ per cent per annum of salary.

Beneficiaries:

1. Whenever any member of the force may be physically or mentally disabled in the performance of duty, said member shall receive a sum not less than $10 nor more than $50 per month.

2. Any member of force who shall have been in the service for twenty years and less than twenty-five years, upon his written application, shall be retired and shall receive the sum of $30 per month, and any member who shall have been in the service for over twenty-five years, upon his written application, shall be retired and shall receive $50 per month.

3. Upon the death of any member there shall be paid for funeral expenses a sum not to exceed $150; and should such deceased member leave a widow or child or children under the age of 16 years, or both, there shall be paid to the widow $30 per month and such children each $6 per month until they arrive at the age of 16 years, respectively.

4. If any member of the force shall die, not leaving a widow or children under 16 years of age, but leaving a father or mother dependent upon him, such father or mother shall receive a sum not exceeding $20 per month.

I think I have covered in a hurried manner all the different cities and States from which I have obtained information. There is additional information coming for which I have written, but at the request of the chairman of the committee I brought this matter up this morning so you might have it before you, thinking that it might, perhaps, be considered a sufficient amount to show the trend of public action and interest throughout the country. In most places the subject is comparatively a new one and in the experimental stage.

I find that 70 leading corporations in the United States, embracing great railroads of the country, street railways in the large cities, banks, steamship companies, and manufacturing and miscellaneous

industrial companies, provide retirement and competency for their superannuated employees.

A list of such companies follows:

Illinois Central Railroad Company; Delaware, Lackawanna and Western Railroad Company; Southern Pacific Company; Baltimore and Ohio Railroad Company; Philadelphia and Reading Railway Company; the Pennsylvania Company—the Pennsylvania Railroad Company, the Philadelphia, Baltimore and Washington Railroad Company, the Northern Central Railway Company; the West Jersey and Seashore Railroad Company; the Philadelphia and Camden Ferry Company; the Pittsburg, Cincinnati, Chicago and St. Louis Railway Company; the Pennsylvania lines west of Pittsburg; Grand Rapids and Indiana Railway Company; Terre Haute and Logansport Railway Company; the Cincinnati and Muskingum Valley Railroad Company; Waynesburg and Washington Railroad Company; the Cincinnati, Lebanon and Northern Railway Company; the Wheeling Terminal Railway Company; San Antonio and Aransas Pass Railway; the Houston East and West Texas Railway Company; the St. Louis Transit Company; Boston Elevated Railway Company; Metropolitan Street Railway Company, of New York City; Denver City Tramway Company; the Atlantic Refining Company; Andrew Carnegie Relief Fund—Carnegie Steel Company, Carnegie Natural Gas Company; Pittsburg Limestone Company (Limited); H. G. Frick Coke Company; Oliver Iron Mining Company; Regent Iron Company; Lake Superior Iron Company; Bessemer and Lake Erie Railroad Company; Union Railroad Company; Pittsburg Steamship Company; Pittsburg and Conneaut Dock Company; Union Supply Company; Mingo Coal Company; the Midvale Steel Company; American Express Company; the Procter and Gamble Company, Cincinnati, Ohio; the Mutual Life Insurance Company, of New York; the Union Mutual Life Insurance Company, of Portland, Me.; the Old Dominion Steamship Company, of New York; the Clyde Steamship Company; the First National Bank of Chicago; Girard National Bank, of Philadelphia; the Fourth National Bank of Philadelphia; and the National Bank, of St. Joseph, Mo.

The Grand Trunk Railway Company of Canada and the Canadian Pacific Railway Company also retire and pension their employees.

Most of these companies provide entirely at their own expense the funds from which the allowances to retired employees are paid, while others require the active employees to share the expense by contribution of certain percentages of their salaries.

It is not practicable to exhibit here the numerous plans with their differing details according to which retirement is effected by the several companies, but these plans are somewhat similar in their general tenor, and it will, therefore, aid to an understanding of the scope of all if a representative example be given. The Pennsylvania Railroad Company's plan affords a good illustration.

According to this plan retirement is compulsory at 70 years of age, and any employee that has been thirty years in the service of the company and is 65 to 69 years old may retire if incapacitated for active service. The allowance authorized in any case is, "for each year of service 1 per cent of the average regular monthly pay for the ten years preceding retirement."

Mr. Hardy. That is very nearly Mr. Brown's proposition?

Mr. GOULDEN. Yes; approximately close to it.

For example: If an employee has been in the service forty years, and his average salary for the last ten years was $75 a month, his allowance on retirement would be 40 per cent of $75, or $30 a month.

Retired employees may engage in any business, but may not reenter the service of the company.

Most of the companies have adopted 1 per cent of the average pay received for the ten years last preceding retirement as the basis of pension, but the age and the length of service vary, and in some cases the same company retires different classes of employees at different ages, according to character of service.

The National Bank of St. Joseph, Mo., pays 50 per cent of the salary received before retirement, and the Midvale Steel Company pays the highest salary the employee earned at any time during his service to the company.

It is worthy of observation that the practice of pensioning superannuated employees has grown in favor with corporations rapidly in recent years. The first company to begin it was the Grand Trunk Railway of Canada, in 1874. The next was the Baltimore and Ohio Railroad Company, in 1889. Then the Pennsylvania Railroad Company and the First National Bank of Chicago, in 1900, and after that the number increased rapidly every year. It has proven a good investment from a business standpoint for all who have adopted it.

I will now give the foreign countries, showing what the governments are doing to provide for the retiring or pensioning of their civil-service employees and the conditions of such service. I quote from the eleventh report of the United States Civil Service Commission, July 1, 1893, to June 30, 1894, published in 1895.

The CHAIRMAN. That is 13 years old?

Mr. GOULDEN. Yes; but I am told there has been no radical change in the system. Retirement with pension for length of service or infirmity, Australia (South), Australia (West), Austria-Hungary, Bavaria, Belgium, Bolivia, Brazil, British India, Canada, China, Cuba; Ecuador, not stated; Egypt, France, Great Britain; Hawaiian Islands, not stated; Holland, Italy, Japan, Manila, Morocco, Norway, Persia, Peru, Prussia; Russia, extended to widows and minor children; Sweden, Switzerland, Turkey in Asia; Venezuela (after thirty years of service an employee may appeal to the Congress for a pension), and West Indies (Danish), extended to widows and minor children.

In most of the small colonies retirement and pensions are on a basis similar to that of the home country. In India the practice is somewhat similar to that in Great Britain, but complicated by numerous conditions and requirements affecting age, length of service, and character of duties as well as salary. In Australia employees are required to take out deferred annuity policies with insurance companies.

I think that covers the statistics which I have here To me it seems that this is a matter that demands most serious consideration. Something ought certainly to be done in order to relieve the Government in all its various branches and departments from what is an incubus to prompt and efficient service. It was so found in New York City when I entered the board of education in 1893 as a commissioner. Quite a number of principals and teachers were an injury to the children's

development and training, and as the schools exist only for the children something had to be done to relieve the situation. With the other members of the board we brought about the retirement fund, which has worked such splendid results for the system in New York City. We were forced to create a retirement fund or turn them out on the cold charity of the world. When I asked the city superintendent why certain principals and teachers who had outlived their usefulness were not relieved and younger people put in he said: "What will become of them if you turn them out? They have been getting only moderate salaries, but they have either raised families or been compelled to take care of invalid mothers or sisters, and if you turn them out you are simply going to throw these persons into the poorhouse or upon the charity of unfeeling relatives, which is worse." So, in my judgment, with the employees of the classified service of the Government something should be done to relieve the situation. As was suggested the other day, that you would perhaps be able to decrease the number of employees of the Government materially by getting a younger, more active set of employees to relieve the persons who have served their country for many years so well and faithfully, and again in addition I think you would obtain a better class of men and women to enter the service.

The salaries are not large, as you all know, but entirely inadequate. I understand there has really been no increase in salaries in the various Departments among the clerks since 1854. If that is true, it does seem that Congress has been somewhat derelict in its duty. I take as much blame for that as anybody else, because I have been here five years, and I should have been awakened to this matter before this.

Mr. HARDY. The general salaries of the employees of the Government have not been increased?

Mr. GOULDEN. So I have been informed. They have been decreased.

Mr. FAUNCE. When I entered the service in 1865, there was no clerical salary below $1,200. Since there have been several salaries established below that figure—from $660 to $1,000. That decreases the salaries.

Mr. HARDY. In 1865 the salaries were paid in depreciated currency?

Mr. FAUNCE. That did not make any difference; it cost just as much to live.

Mr. HARDY. And possibly more?

Mr. FAUNCE. It did.

Mr. HARDY. The salary then was based upon a 40-cent dollar?

Mr. FAUNCE. Yes, sir.

Mr. ALLEN. I would like to inquire how this matter is taken by the clerks generally, and whether this question of making reductions from their salaries has been canvassed. I have a letter from two employees which says that many of the clerks are insured in insurance companies and are now paying all that they can afford to, and that others have people dependent upon them, and so forth.

Mr. GOULDEN. I think what the committee has to deal with is not so much what will please the clerks, but what will give us the very best and most efficient service without doing anybody any injustice. That is my position. I am not considering simply the clerks and employees, but the people of the country who are interested in all

affairs of the Government. What is the best way to provide an efficient service and at the same time do justice to all concerned.

I desire to add the following as a part of my remarks:

DEPARTMENT OF COMMERCE AND LABOR,
DIVISION OF APPOINTMENTS,
Washington, March 24, 1908.

DEAR COLONEL: I am just in receipt of a letter from Mr. Murray, who is now at Atlantic City, directing me to bring the inclosed editorial, taken from yesterday's New York Sun, to your attention.

It seems to me that the French old-age pension scheme referred to in the editorial is very much like the plan recommended by the Keep committee, in this respect, that provision is made to have the plan become operative speedily by requiring the Government to contribute the 1½ per cent for each year of service of those now employed. It is expected, of course, that the plan of the Keep committee will eventually become self-sustaining. You will notice that the French system referred to in the clipping provides that the employees shall eventually create their own pension fund, but that, in case of deficit, the State must make good.

Very truly, yours,

GEO. W. LEADLEY,
Chief of Appointment Division.

Hon. JOSEPH A. GOULDEN,
House of Representatives, Washington, D. C.

The following is the inclosure spoken of and is from an editorial in the New York Sun of a recent date:

AN OLD AGE PENSION SCHEME TO BECOME A LAW IN FRANCE.

The old-age pension bill which was passed in 1906 by the French Chamber of Deputies, but which, on the ground of the immense fiscal burden which it would impose, has since been held up in the Senate, will shortly become a law, but in a modified form, the two houses having agreed upon a compromise.

Before pointing out the details of the amended project we should recall that France has had on the statute book since 1905 a provision for giving pecuniary aid to all persons over 70 who are infirm, incapacitated, or suffering from an incurable disease. As the age limit is higher by five years than that which is contemplated in Great Britain, and as compliance with the other conditions is exacted, the number of beneficiaries by this law is, according to the last returns, not much over 350,000 annually, and the total yearly outlay on their account is about $12,000,000. The bill which was passed by the Chamber in 1906 is supplementary to the existing statute just mentioned and differs materially from it. The age when pensions are to become payable is reduced to 60 years, and there are to be no conditions as to infirmity, incapacity, or disease. On the other hand, it embodies the contribution principle, which is repudiated by British socialists and laborites, but which forms the basis of the old-age pension law operative in the German Empire. Like the German precedent, the French bill when it is in full operation will require workmen, if they are to qualify themselves for the receipt of pensions at the age of 60 and thereafter, to contribute 2 per cent of their wages annually during a period of thirty years. Again, in accordance with the German pattern, a precisely equivalent contribution is imposed upon the employers of labor. So long as the compulsory savings of the workmen and the compulsory contributions of the employers do not create a fund large enough to furnish a pension of at least $72 a year, the State must make good the deficit.

In order, however, that the old-age pension law may become operative speedily, instead of being applicable only after three decades from the date of its enactment shall have elapsed, there is a clause granting pensions smaller than $72 to all existing workmen over 60 years old who can prove that they have worked continuously thirty years. It is this clause which the French Senate has firmly refused to approve, for the reason that, though estimates vary as to the extent of the pecuniary liability which the State would thus incur, nobody disputes that the liability would be very great. The Senate, however, has consented to pass the bill if it be amended so as to limit the State's liability to $20,000,000 annually until the compulsory savings of workmen and compulsory contributions of employers shall have amounted with interest to a considerable fund. The Chamber of Deputies has agreed to the amendment.

The workings of this old-age pension law will be watched with keen interest, not only by French taxpayers, but also on the northern side of the Channel, where many

Englishmen oppose the noncontributory plan demanded by the laborites and insist that the habit of thrift ought to be encouraged and enforced. It is unreasonable, they say, that industrious and economical laborers who from their savings help to bear the national and local fiscal burdens should be taxed in order to give pensions after the age of 65 to members of the lazy, wasteful, improvident, and dissolute class of the British proletariat, especially as no correspondent demand is made by the representatives of labor in Germany and France.

Mr. JORDAN. I would like to state that the scheme which we have presented here, known as the Brown scheme, meets with less objection than any scheme which has thus far been suggested, particularly among the younger clerks. The scheme which had the tontine feature or the commingling of assets was particularly distasteful to the younger people, because they felt that they would be contributing for the retirement of the old. I can say that this retirement association has been in existence some eight years and that we have pretty thoroughly canvassed the civil-service employees of this country, and in branch organizations which have taken up this work in cities, big and little, and they are generally in favor of a scheme which secures to them a return of their money kept separate and distinct from that of anyone else.

STATEMENT OF MR. JACOB W. STARR, REPRESENTING THE UNITED STATES CIVIL SERVICE RETIREMENT ASSOCIATION, WASHINGTON, D. C.

Mr. STARR. In answer to the question of Mr. Allen, I would say that we have 140 different branches in the Philippines, Porto Rico, and all over the country, and consequently this matter has been canvassed thoroughly many times.

I shall confine myself to some remarks on the cost of retirement as we have found it through our inquiries.

There are 150,383 persons in the classified service of the Government, as shown by Bulletin No. 12, issued by the Bureau of the Census July 11, 1904. In tabulating the statistics you will notice that of that number 50,047, drawing a salary of $700 and less, were grouped in one body. (See p. 23.) Since the issuing of Bulletin No. 12 the United States Civil Service Retirement Association requested the segregation of the number and salaries that are involved in that group. Witness the following letter from the Director of the Census:

DEPARTMENT OF COMMERCE AND LABOR,
BUREAU OF THE CENSUS,
Washington, December 20, 1905.

Mr. WALLACE W. HITE,
Patent Office, Washington, D. C.

DEAR SIR: In deference to the request of the United States Civil Service Retirement Association I have had the statistics for the 50,047 civil-service employees shown in Census Bulletin No. 12 as receiving less than $720 per annum segregated, so as to eliminate 5,958 of them which received less than $100 per year, and tabulated the remainder according to the amount of salary that each received. The totals for all classes of employees included in this group, whether employed in the District of Columbia or elsewhere, are summarized in the following statement:

Receiving $100 but less than $200 per annum	1,964
Receiving $200 but less than $300 per annum	1,686

The CHAIRMAN. Are those employees in the classified service receiving less than $200 and $300 per annum?

Mr. STARR. Yes, sir.

Mr. KIMBALL. In what capacity do they labor?

Mr. STARR. In various capacities; I do not know exactly. That is stated in Bulletin No. 12. I do not think, however, they give the occupation.

Mr. ALLEN. In the classified service there are classified clerks and some classified laborers. A laborer can not be appointed in the Departments without being classified or skilled.

Mr. STARR [reading]:

Receiving $300 but less than $400 per annum	2,372
Receiving $400 but less than $500 per annum	3,101
Receiving $500 but less than $600 per annum	2,916
Receiving $600 but less than $700 per annum	28,936
Receiving $700 but less than $720 per annum	3,114
Total	44,089

The CHAIRMAN. You would not include those of the laboring class, those receiving but $200?

Mr. STARR. Those are permanent people, in the service all the time. They are in the competitive service.

The CHAIRMAN. They do not come in the competitive service?

Mr. STARR. Yes, sir; they have to stand a competitive examination.

The CHAIRMAN. Are you sure of that?

Mr. STARR. This information is from the Civil Service Commission and the Bureau of the Census.

The CHAIRMAN. I think there must be some mistake about that.

The Bureau of the Census has refrained from calculating the total amount paid annually to the civil service employees because it was believed the information in the possession of the office was not sufficiently accurate to justify such a computation, but, in compliance with your request, the computation has been made and the results are furnished in the following statement:

In the District of Columbia.			Elsewhere.		
Number of employees.	Estimated average salary.	Total amount paid.	Number of employees.	Estimated average salary.	Total amount paid.
5,643	$533	$3,007,719	38,446	$533	$20,491,718
2,033	720	1,463,760	11,017	720	7,932,240
491	840	412,440	8,438	840	7,087,920
1,742	900	1,567,800	8,849	900	7,964,100
2,131	1,000	2,131,000	20,780	1,000	20,780,000
5,104	1,200	6,124,800	8,199	1,200	9,838,800
2,471	1,400	3,459,400	5,186	1,400	7,260,400
1,194	1,600	1,910,400	1,150	1,600	1,840,000
1,020	1,800	1,836,000	1,025	1,800	1,845,000
767	2,000	1,534,000	984	2,000	1,968,000
538	2,500	1,345,000	890	2,500	2,225,000
		24,792,319			89,233,178

The total amount paid in salaries to the employees of the Executive civil service was calculated by multiplying the number of employees in each group by the estimated average salary.

In computing the total salaries separately for the employees in the District of Columbia it was found that, by taking for the average salary the minimum rate in all groups except the group of employees receiving less than $720, a total amount was obtained approximately the same as that given in the Official Register for 1903, and the same rates were therefore used for employees elsewhere than in the District of Columbia.

By the segregation in $100 groups of the employees receiving less than $720, it was found that the average salary less than $720 is about $533. This average salary was therefore used for the less than $720 group in calculating the total salaries.

In making the calculation no account was taken of the employees receiving less than $100; those whose salaries were not reported, or who received no compensation; piece workers, and 613 special agents paid on a per diem basis, who received compensation only for such time as they were actually employed.

By this estimate, it appears that the annual salaries of the employees in the District of Columbia approximated $24,792,319, and of the employees engaged elsewhere than in the District $89,233,178, making a total of $114,025,497.

That letter was signed and sent to us by the Director of the Census.

The average salary of the Government employee in the District of Columbia, as shown by Bulletin No. 12, is $1,072. This amount is much larger than the average salary of the entire service, but it is the average salary taken into consideration in the calculations and preparation of the bills under consideration. The average annual salary of the entire classified civil service of the Government is $758.23, being $313.77 less than the average salary of those in the District of Columbia; consequently, the amount the Government will have to contribute will be lessened by an amount equal to as many times $313.23 as there are employees retired annually.

The Keep Commission bill, which is the "Brown bill" amended, states that $3.57 of the salary of $100 per month will purchase the annuity of $900 when the employee is retired with fifty years of service, being 75 per cent of his annual salary of $1,200. We believe that this 3.57 per cent will be more than necessary, as the statements of the eminent actuaries the United States Civil Service Retirement Association employed to make the calculations to prove the feasibility, practicability, and absolute safety of the plan and provisions of bill H. R. 19375, being the bill drafted by our association and introduced by Mr. Fowler in the Fifty-ninth Congress.

Mr. Walter C. Wright, of Boston, Mass., is a son of Mr. Elizur Wright, the foremost actuary of his day. Walter C. Wright was associated with his father in his business and is an actuary of great experience. Mr. Wright made a thorough analysis of the conditions of our bill and pronounced those conditions feasible. In his statement to our association, he says:

A 5 per cent collection will, on the whole, be abundant to fulfill the proposal of the bill, which is that each annuity to be paid shall equal one-sixtieth of the average salary of the last ten years of service, for each year of service, not exceeding forty years, which would be 66⅔ per cent in every case of forty or more years of service. Indeed, the probability is that an annual allowance of 5 per cent to produce annuities of 66⅔ per cent of the average salary for the last ten years, after at least forty years of service, and proportionately less percentages after shorter terms of service, would prove superabundant on the whole and create some surplus.

In a subsequent statement to our association, Mr. Wright says:

I am so well satisfied that 5 per cent will prove the most popular contribution rate which could be fixed upon, and that it will prove sufficient for all purposes, that I have not considered any other rate.

Mr. Hardy. Five per cent of the annual salary?

Mr. Starr. Yes, sir.

Mr. Hardy. That is a great deal more than the percentage spoken of by Mr. Goulden?

Mr. Starr. Yes, sir; but we put the whole expense in the bill; clerk hire and everything else connected with it.

Mr. Hardy. It is also greater than Mr. Brown suggested to this committee?

Mr. Starr. Yes, sir. There is another thing I want to call your attention to, that our bill provided for persons who were disabled in the service. These bills provide only for retirement upon reaching the retiring age.

Mr Hardy. They do provide for voluntary withdrawal.

Mr. Starr. But they eliminate those injured or disabled in the service. I speak of that because it would reduce the cost, I think.

Mr. HARDY. In case of disability?

Mr. STARR. Yes, sir.

Mr. HARDY. Would that be very difficult to arrange?

Mr. STARR. No, sir; we could arrange it in the bill introduced and known as the Fowler bill.

Mr. HARDY. Is it intended that the whole service shall pay the annuity and not the particular individual by his payments?

Mr. STARR. No, sir.

Mr. JORDAN. That is the commingling of assets.

Mr. STARR. James Howard Gore, Ph. D., of George Washington University, Washington, D. C., and Fellow of the Actual Society, also consulting actuary of the Mutual Life, New York Life, and Equitable Life Insurance Association, of New York, the three largest and most successful in this country, says of our bill:

I am convinced that the assessment proposed will be adequate and that it will be found that the machinery you suggest will be satisfactory.

Mr. Gore was so well satisfied that a surplus would accrue that he strongly recommended to us the "adoption of a section to our bill that would increase the benefits or reduce the taxation after five years."

Mr. Miles N. Dawson, consulting actuary, New York City, basing his calculations upon the unofficial data we had collected prior to the issuing of Bulletin No. 12, finds that an assessment of 5.6 per cent will produce an annuity equal to one-sixtieth of his average annual salary for the ten years preceding retirement for every year of service rendered in any and all departments of the Government, plus a death benefit of $900 and a sick benefit of $6 per week. The calculations of Mr. Dawson are concurred in by Henry Moir, actuary, New York City. In a statement to the Committee on Reform in the Civil Service, House of Representatives, February 12, 1904, Maj. Gen. F. C. Ainsworth, the Adjutant-General in the Army of the United States, submitted a memorandum in which the estimated cost of retirement at 70 on one-half pay would not exceed 3.5 per cent of the active list. These figures are the result of calculations based upon known data respecting the active and retired service of the United States Army, and covering about forty-five years' experience.

The CHAIRMAN. Do you mean that you advocate that bill in preference to the bill before us?

Mr. STARR. No, sir; We have found here, first, the maximum cost, and second, the men are rather appalled at the amount of contributions fixed by the Keep bill or the Brown bill. I do not believe that it is going to cost nearly so much as they have stated, that is, on the part of the Government, because there is going to be separations from the service. These calculations have been based upon an average annual salary of $1,072, when it is $313.77 less than that, and that would make quite a difference in the cost.

Mr. HARDY. Have you ever ascertained how much a man would pay on that 5 per cent or even 3 per cent basis, if he should enter the service at 20 years and retire at 70 years, whatever would be necessary to give him an annuity?

Mr. STARR. We have never figured out just that amount. We saw no other way of fixing it, but taking them all in.

Mr. HARDY. You would average the long service and pay for the short service?

Mr. STARR. To a certain extent we did, but to offset that, retirement, when it is enforced, will cause promotion to be so much faster that

many of these men by reason of these retirements will receive a promotion that will pay all they have to pay to give them a surplus which they would not receive as the service is now.

Mr. HARDY. You have a sort of equal assessment at different ages?

Mr. STARR. Yes, sir.

Mr. HARDY. A man who enters at 60 years of age would pay no more assessment upon his salary than the man who enters at 20 years of age. That is a little contrary to the general insurance plan.

Mr. FAUNCE. Can a man enter the service at 60 years of age?

Mr. HOLCOMBE. He can, but it is unusual.

Mr. STARR. I think the civil-service law limits it.

The CHAIRMAN. No, sir; there is no law which limits it.

Mr. HARDY. Your proposition is different from the ordinary insurance or annuity plan, which bases its assessment according to age?

Mr. JORDAN. I understand Mr. Starr is not advocating that bill. His purpose is merely to point out the relative cost. The association is standing behind Mr. Brown's bill.

Mr. FAUNCE. We were expected to bring in a bill which would be satisfactory to the retiring clerks and be without any cost to the Government. Not that we preferred that, but that was what we were requested to do, and we have been in a way hampered by that requirement.

The CHAIRMAN. Requested by whom?

Mr. FAUNCE. The organic law of our association required that. It was the general feeling of everybody, you gentlemen as well as the people outside, that any amount we might ask from the Government would be a very unpopular move for us to make. Therefore we concluded that we would not ask the Government for any money, but would make a direct assessment upon ourselves. However, since then the sentiment in the country has changed very much.

Mr. BROWN. I would like to ask Mr. Starr if he refers to the figures that are embodied in the report submitted by the Keep Commission?

Mr. STARR. Yes, sir.

Mr. BROWN. Those figures are as nearly accurate as it is possible to make them.

Mr. STARR. I would also invite your attention to the letter of Mr. Frank Scott, treasurer of the Grand Trunk Railway of Canada, which letter embodies a tabulated experience with the Grand Trunk Railway of twenty-eight years. This table shows you that after paying all expenses the Grand Trunk Railway of Canada Superannuation and Provident Fund Association has a surplus five times as great as all of their expenditures. This association is incorporated separate and apart from the railroad company and is controlled and operated by a board of directors appointed by the railway company and from its employees. The company makes a deduction of $2\frac{1}{2}$ per cent from all salaries of their employees and the railroad company adds a like sum, equaling 5 per cent.

An official report of the Civil Service Commission, showing the number of separations from the service by death, resignation, and removal for the years 1898 to 1905, inclusive, as shown in the table submitted herewith, will show the number of separations from the service in the eight years to have been 60,994, an average of 7,624 plus, for each year. These persons, separated from the service by death, resignation, or removal, will never be placed on a retired list, consequently reducing the amount that is proposed to be contributed by the Government by the bills under consideration. Thus it will be seen

that the estimates for the contributions by the Government are 30 per cent too great by reason of the high average upon which this statement was based and 5 per cent by the separations from the service, making this statement 35 per cent greater than is required.

I will submit a tabulated form for each year's separations. (Appendix E.)

Mr. HARDY. Does that compilation of separations include those who have been a long time in the Government service, or rather those who have been a short time as well as those who have been a long time in the service?

Mr. STARR. It includes those who have died, resigned, or been removed.

Mr. HARDY. Many of them have been in the service a little while?

Mr. STARR. Certainly; from all causes. This is furnished by the Civil Service Commission.

The bills for the retirement of the classified civil service include in the number provided for the Life-Saving Service and the railway mail service. The data herewith submitted would indicate that the railway mail service is far more hazardous than the occupation of a soldier in the Regular Army in time of peace, and I am informed that the Life-Saving Service is more hazardous than even the railway mail service. Yet Congress has enacted a retirement law for the soldiers after thirty years of service, but none for the more hazardous occupation of the life saver or the railway mail clerk.

I submit a statement of casualties in the railway mail service.

DIVISION OF RAILWAY MAIL SERVICE.

The following is a statement of casualties from 1875 to 1907:

Year ended June 30—	Total clerks.	Accidents.	Clerks killed.	Clerks seriously injured.	Clerks slightly injured.
1875	2,238		1		
1876	2,415		1		
1877	2,500	27	2	10	4
1878	2,608	36	2	15	3
1879	2,609	35	3	14	13
1880	2,946	26		14	15
1881	3,177	62	7	15	22
1882	3,570	83	3	16	20
1883	3,855	114	1	35	42
1884	3,963	154	7	28	60
1885	4,387	102	2	35	65
1886	4,573	211		56	60
1887	4,851	244	5	45	72
1888	5,094	248	4	63	45
1889	5,448	193	10	95	40
1890	5,836	261	4	41	53
1891	6,032	219	13	68	84
1892	6,417	345	5	60	112
1893	6,645	403	10	66	115
1894	6,856	362	4	48	99
1895	7,045	497	7	50	128
1896	7,408	495	5	47	65
1897	7,573	589	14	33	75
1898	7,999	597	7	34	146
1899	8,388	799	6	50	162
1900	8,695	697	4	57	187
1901	8,978	825	7	63	229
1902	9,485	[a] 296	9	88	302
1903	10,262	372	[b] 18	78	398
1904	11,270	378	[c] 18	90	348
1905	12,110	357	12	125	386
1906	13,317	328	[d] 16	77	414
1907	14,009	470	21	125	662

[a] The number of accidents shown since 1902 are those in which clerks were killed or injured or in which mail was lost or damaged. The accidents in years prior to 1902 represent those of every kind, mostly in which the car was damaged to some extent.

[b] Also 1 substitute and 3 mail weighers.

[c] Also 2 substitutes and 1 mail weigher.

[d] Also 1 mail weigher.

Following that, I have a table showing deaths from injuries in the United States Army in time of peace.

Deaths from injuries in the United States Army.

Year.	Mean strength.	Homicide.	Suicide.	Others not on sick report.	Cases treated before death.	Total.
1885	26,542	11	16	22	18	67
1886	26,095	9	18	27	26	80
1887	26,365	6	19	22	18	65
1888	26,739	5	8	28	14	55
1889	27,206	5	21	22	17	65
1890	26,684	7	16	a 52	17	92
1891	26,460	8	22	25	25	80
1892	26,861	5	22	13	16	56
1893	27,659	5	22	35	18	80
1894	27,674	10	18	a 22	20	70
Ten years		71	182	268	189	710

a Thirty-three deaths: Killed by Indians.

There is another thing I want to call your attention to, and that is I desire to enter a positive and emphatic protest against the charge of improvidence of the Government employee. It is more seeming than real; in fact, does not exist.

Bulletin No. 12 states there are 150,383 employees in the classified service of the Government; of that number 50,047, one-third of the whole body of the classified civil-service employees, are receiving an annual salary of $533.

The CHAIRMAN. In making that average do you include the men you referred to getting $100 and $200?

Mr. STARR. Yes, sir; they are all included.

The CHAIRMAN. I do not understand who they can be. They can not be men who give their whole time to the Government and get $100 a year, and it does not seem to me that it is fair to make such an average. Can you explain that in any way?

Mr. STARR. No, sir. We found by the cards we sent out in 1900 that there were 458 different salaries in the Departments in the District of Columbia. They grouped these all along, so I believe the average would be lowered if you take them individually.

The CHAIRMAN. Do you include the mechanics in the armories?

Mr. STARR. No, sir.

The CHAIRMAN. They are in the classified service.

Mr. STARR. The figures include all those in the classified service. In fact, we tried to find out for a long time the number of employees in the service, but there was no individual who could tell us, not even the Civil Service Commission. We could not find out how many there were, and until Bulletin No. 12 was issued no one knew, nor did they know the aggregate amount of salaries received. Even the bulletin did not give the aggregate amount. After two years we finally received that letter from them fixing the amount, which reduced the average amount to $758.23, a difference of $313.77.

Congress found it necessary to increase the salary of its members recently on account of the increased cost of living, while the Government employees, since 1854, when the present classification was established, have had no increase. During that period of more than half a century every occupation has had its remuneration increased over

and over again. Yet, in public and private, our people are charged with improvidence. In 1865, when I left the Army, I could buy ground on Connecticut avenue by the acre, costing from 1 to 2 cents per foot; to-day it will cost $5 per foot. Buildings must be built upon this ground at a corresponding cost. The result is that the Government employee is forced back, back, out of town, or into rooms or flats, and there being no provision for keeping good food from spoiling, he must purchase it for each meal when needed, thus forcing him to pay the highest retail rates.

I have seen tomatoes selling by the box, supposed to contain a bushel, for 10 cents, when I have had to pay at the grocery store 10 cents a quarter of a peck, at the rate of $1.60 per box, or 1,600 per cent. How, then, can these 50,047 employees who receive an annual salary of $533 be provident enough to save anything to care for themselves in their advanced years?

Where does this improvidence of which we have heard and read so much come in?

It is safe to say that each employee of the classified civil service, and there are now almost 200,000, have at least five brothers, sons, brothers-in-law, or others bound to them by the ties of consanguinity that will number a million of voters, who are watching and interested in the outcome of these bills under discussion. It is not confined to the District of Columbia. Mr. Goulden called our attention to the fact of his not hearing from outside of Washington. Executive order of January 31, 1902, explains that, as our committee, and our committee alone, is exempted from the restrictions of that order, but with restrictions. (Appendix F.)

There was an order that employees must not come to Congress and bother you gentlemen. We had to be excepted from that order so as to proceed with this retirement movement. When we had drafted a bill Mr. Fowler and I took it to the President and turned it over to him. Afterwards Mr. Fowler asked me for copies of the bill, and I gave them to him and he introduced the bill on his own responsibility in the House. When the Fifty-ninth Congress had taken no action in the matter we had practically nothing to say to our people, and we wrote to the President about the matter and he gave us further permission and placed the presentation of this matter to Congress in the hands of our association and in the hands of this association alone, and distinctly said that the people outside must not come to Congress and bother them. Consequently you have not heard probably from your district to any great extent when doubtless you would have received thousands of letters had it not been for that.

Mr. HARDY. The president of what?

Mr. STARR. The President of the United States. The Executive order is dated January 31, 1902. The committee has the letter here.

Mr. HARDY. The President directed your association not to bother Congress?

Mr. STARR. No, sir; directed the employees not to bother Congress.

Mr. FALLS. I think we are only permitted to come at your request.

Mr. STARR. You will probably not hear from the outside, as our people rely upon us to present this matter and say what there is to be said.

STATEMENT OF MR. LLEWELLYN JORDAN, TREASURY DEPARTMENT.

Mr. JORDAN. Mr. Chairman and gentlemen of the committee, I wish to direct your attention briefly to the system which now prevails under the French Government, as applied to the French Government itself and to its dependencies, in the matter of taking care of its superannuated civil servants. I might say, by way of historical reference, that the first effort made by the French Government was under Napoleon I, and the date of the decree or mandate, as I recall it, was August 22, 1790. The present system did not become operative until June 9, 1853. The French system not only attempts to pension the civil servant himself upon certain retiring conditions, but it also attempts to take care of his wife and minor children. The plan of raising the money to defray the expenses incident to the retirement of the employees is from several sources. The first source is a straight flat reduction of 5 per cent of the employee's salary. The second source of revenue is secured by the deduction of what is known as the first month's salary of the civil servant. To illustrate, if you should enter the civil service of the French Government, you would work under the rigid system that they have in vogue the first month without receiving any compensation whatever. The money that you should receive as your initial salary goes to swell the retirement fund. The next source of revenue is based upon the deduction from promotions. For example, if you were getting $1,200 under the French system and were promoted to $1,400, before that promotion actually took effect you would have deducted one-twelfth of that annual increase.

Mr. HARDY. That would be the first month of the promotion?

Mr. JORDAN. Yes, sir; practically the first month of the promotion.

The age of retirement under the French Government is 60 years. In that respect it is a little earlier than that of the English Government. Under the English Government it is 65 years of age. Under certain conditions, where the hardships are more severe, for example, in the railway-mail service or some of their dependencies, Algiers, they retire the people at 55 years of age. They also have a disability retirement, which I will direct your attention to a little later on.

As regards the manner in which this system has worked and as regards the satisfaction with which it has been received, I had translated an article by one of the best-known publicists of France, who commented in great detail upon two particular features of this system. He referred particularly to the system of taking away the first month's salary. It seems that at no time since the introduction of this particular system now in vogue has there ever been any complaint with respect to this deduction. The employee understands when he enters the service that he is compelled to contribute that amount toward the retirement fund. I might say in connection with the promotion deduction that that has never occasioned any trouble whatever; the employees are satisfied with it. The condition which concerns the French people is with regard to the deduction of the salary ranging through a period of years; and if perchance the employee retires from the service by resignation or if he is dismissed, the money which he has put into this retirement fund from these several sources which I have enumerated stays there; in other

words, he forfeits it. So in order that an employee in the French Government may get the benefit of the retirement annuity if he expects to separate himself from the service before he actually retires, it has been stated on good authority that they usually find some way of creating a physical disability and that the physicians in that country have been parties to such a scheme. That, in any event, is an assertion made by this gentleman whose article I have referred to.

The CHAIRMAN. In that case he gets the annuity?

Mr. JORDAN. If he gets a certificate of disability from the doctor and that separation from the service occurs before the retiring age, he gets the annuity.

Apropos the suggestion of the source of revenue, Mr. Chiarman, that can be raised from the deduction of the first month's salary and the deduction from promotions, to pay for past services and obviate the necessity of an appropriation by Congress, I undertook two years ago to secure from the heads of the Departments what at that time had never been compiled before. First, I got a statement for the year ending June 30, 1906, of the actual amount of money which had been made, either in direct appropriations for statutory places or paid out of lump-sum appropriations, for salaries of civil-service employees. That aggregate amounted to something like $133,000,000. That was, mark you, for the fiscal year 1906. The chairman may remember that I gave that information to Mr. Tawney, who very kindly introduced it and had it printed as a part of the supplemental hearings on the legislative, executive, and judicial appropriation bill for the fiscal year 1907.

Taking the average number of separations from the service in the way of resignation, or in any other way, and the average number of promotions made, there has been worked out—I shall not detain the committee to refer to statistics—a complete scheme which shows in brief this——

The CHAIRMAN. Does not the deduction which they make in the French Government of 5 per cent cover everything?

Mr. JORDAN. No, sir; it is not sufficient. I was going to direct my attention to that. From the statistics which have been compiled—I do not care to lumber up my hearing with this matter, but this is also an official document printed by Congress on the Senate side—we have shown that from the first month's salary and from the promotion deductions we would receive $1,412,329. So, if this committee should decide that was a wise way to take care of this project without saddling any expense upon the United States Government, in the light of the experience of the French Government, you have a very ready source of raising this revenue, plus what the Brown bill assesses the individual clerk on the basis of the deduction, and plus the Brown interest feature.

Mr. HARDY. The first month's salary to be deducted only from those hereafter entering the service?

Mr. JORDAN. Yes, sir.

The CHAIRMAN. And would that go on their individual account under the Brown bill?

Mr. JORDAN. No, sir; it would go to create a special fund to pay annuities for services rendered prior to the enactment of the law. In

order that there might not be any particular hardship in the deduction of the first month's salary, it occurs to me that that deduction could be wisely distributed over the probationary period, or in case of the reinstatement of a person leaving the service and coming back again you could, under departmental discretion, distribute that over an equal period so that it would be a very small part of his deduction and he would not feel it. In the case of the promotion feature my scheme would be to take 25 per cent, possibly a little bit more than the one-twelfth which the French system has adopted, of the promotion salary, and in actual practice it would work like this: If you were getting $1,200 and were promoted to $1,400, and that scheme of deducting 25 per cent of the $200 annual increase was in operation, it would simply have the effect of taking away from you $50 and distributing that amount over a period of three months, sixteen dollars and something for each of those three months. In other words, it would defer the actual beginning of the promotion for a period of three months.

Now, then, that deduction, plus what would be given under the Brown bill, would very materially reduce, I am satisfied, the cost of the flat assessment or, as Mr. Goulden has stated, 1½ per cent, ranging as high as 10.5 per cent. Nobody would object, as far as I know, to the deduction on promotions. We are all anxious to get promotions; and if we are not willing to suffer that deduction, we can pass it on to our friends. But there will never be any question in the mind of a new man who enters the service. He knows when he comes in that he has got to give up the first month's pay for the retirement fund and that it will materially swell what he will get in the end.

The CHAIRMAN. But there is the drawback of a man starting in in debt.

Mr. JORDAN. I do not follow the chairman in that suggestion.

The CHAIRMAN. Suppose a man enters the service and has no money on hand.

Mr. JORDAN. The Government is the paymaster, and it simply deducts that amount during a period of six months.

The CHAIRMAN. Suppose he goes into the service and has just enough money to live the first month.

Mr. JORDAN. You would give him a proportion of that, five-sixths, so he would not feel it.

Mr. HARDY. Is it not more than likely that a man entering the Government service would make some preparation to have some little money?

Mr. JORDAN. That has been probably the case with the French Government, though I have no statistics on that point. Suffice to say that these particular features have never met with any objection at the hands of the employees in the French Government.

I want to say that the reason the 5 per cent has never been sufficient under the French system and why they have supplemented it by this additional source of revenue was because under that system they take care of the widow and minor children. The amount of money deducted from the French employee is much greater under this system than if you were simply taking care of the individual himself and not some one dependent upon him.

If the chairman will permit me, I would like to introduce this pamphlet, Senate Document No. 509, Fifty-ninth Congress, first session,

which contains some very good tables and which may be of interest to the committee in its work. (Appendix G.)

I want to call the attention of the committee briefly to the attitude of the Canadian government. This particular proposition is no more or less than a compulsory saving proposition. The Canadian government started a system in 1874, almost coincidently with the Grand Trunk Railway. It started a system of retirement and deducted a proportion of the salary of the employee. In other words, in order to get the benefit of that retirement fund you had to stay in the service; if you resigned, just as under the French system, you got nothing. It led to great trouble. That is, it gave great concern to the younger employees. They have a large number of women in the Canadian civil service, who were anxious at times to separate themselves and upon separation the money which they paid in was absolutely forfeited. That of course would be true under any bill other than the one which has been presented to your committee here.

Mr. HARDY. That was rather a restriction on matrimony?

Mr. JORDAN. Yes, sir.

The Canadian government appointed a committee, and I shall not do more than to refer to that volume, the Report of the Royal Commissioners of Civil Service of Canada, 1892, in which this committee went into the whole subject of civil pensions of countries all through the world, and as a result of their inquiry, boiled down to a few words, they concluded that the best way was to establish a bank, which is in existence at Ottawa, known as the Governmental Savings Bank, and to make a flat reduction of 5 per cent from the salary of every employee from and after the date that law went into effect, however preserving the rights of all those who had been contributing under the former system. The money thus deducted was put into this bank and compounded semiannually at 4 per cent, and an individual separate account, which is contemplated by the Brown bill, is kept with every Canadian civil employee. That money he can not touch under any condition as long as he remains in the service.

Mr. Brown and I conferred at great length about this feature and we think we have protected the Government against all those possibilities in this pending bill. The Brown bill is similar in that particular to the Canadian government, and that law which was passed by the Canadian government has been in existence since 1898.

Mr. HARDY. Does not Mr. Brown's bill contemplate an assessment of 3½ per cent or 4 per cent?

Mr. JORDAN. I am glad the gentleman has referred to that. Under the Canadian government it is a flat deduction of 5 per cent, and here it is a graded tax.

The CHAIRMAN. Can you refer to that law?

Mr. JORDAN. It is found in the Civil Service List of Canada for 1905. The law referred to is as follows:

Chapter 17.—An act to provide for the abolition of the civil service superannuation act and for the retirement of members of the civil service. (Assented to 13th June, 1898.)

Her Majesty, by and with the advice and consent of the senate and house of commons of Canada, enacts as follows:

1. This act may be cited as the civil-service retirement act, 1898.

2. This act shall apply, instead of the civil-service superannuation act—

(a) to every person hereafter appointed to the civil service; (b) to every person now in the civil service who, before the 1st day of January, 1899, with the consent of

the governor in council, elects to accept the provisions of this act in lieu of those of the civil-service superannuation act.

3. The civil service for the purposes of this act shall include all officers, clerks, employees, and other persons mentioned or referred to in section 2 of the civil-service superannuation act.

4. A fund, to be called the "retirement fund," shall be formed for the retirement of the persons to whom this act applies, subject to the conditions and qualifications hereinafter contained.

5. The said fund shall be created by the reservation out of the salary of each person of 5 per cent of his salary; in addition to which, in the case of any person now in the service who has been subject to any such deduction, and who, with the consent of the governor in council, elects to accept the provisions of this act in lieu of those of the civil-service superannuation act, there shall be transferred to his credit and form part of the said fund a sum equal to the amount of all such deductions from his salary and interest, compounded half-yearly, at the rate of 4 per cent per annum.

6. The amount reserved in the case of each person, together with any sum transferred to his credit as in the next preceding section mentioned shall be entered in a separate account; and interest at the rate of 4 per cent per annum shall be computed on the 1st days of January and July in each year on all sums, whether of principal or interest, to the credit of the retirement fund, and such interest shall be credited thereto and form part thereof.

7. No person shall, during his continuance in office, have any claim or right to any part of the retirement fund.

8. On the retirement or dismissal of any person the amount to his credit in the retirement fund shall be payable to him: *Provided always*, That if he is, in the opinion of the governor in council, unfit to manage his own affairs, such amount may be dealt with the benefit of such person, or of his wife or children or other next of kin, in such manner as the governor in council determines.

9. If a person dies while in the civil service, the amount to his credit in the retirement fund shall be paid to his legal representatives.

10. This act shall come into force on the 1st day of July, 1898.

As to the English Government, it may be well known to you that the original scheme of 1829 was the same scheme that we have been attempting until recently to adopt ourselves. It was nothing more or less than an attempt to assess the salary for a certain sum of money which they thought was sufficient, the Government contributing nothing whatever toward that fund, but after a period of time ranging from 1827 to 1859, there were numerous petitions presented to Parliament with a view to extending the scope of the original law to bring in new classes of employees, and Parliament appointed a commission at that time that took up all the pending petitions, and after an exhaustive study of the subject they concluded that the wisest and best thing to do was for the Government to pay the pensions themselves, and from 1857 until the present time the English Government has paid the pensions directly out of the English exchequer. It happened that at the time the English Government took over this retirement proposition there was existing to the credit of the employees, expressed in our money, about $5,000,000. The English Government just turned it in and has held it ever since. There was some complaint, but it made no difference, because the English Government stood for the taking care of all of them. Since the present English monarch has been on the throne a committee of some ten or more were appointed to investigate still further the question as to the wisdom of the present system of pensioning civil-service employees in that country, and that committee went into the subject very exhaustively in a report which is called the Report of the Royal Commission on Superannuation in the Civil Service, published in 1903, and I shall just read one paragraph from that report. Speaking particularly about the principle of the existing system, it says:

The undertaking of the State with an established servant is, during good behavior, to provide for him throughout his life, whether that life be long or short, continuing to

him when his powers begin to fail a means of livelihood sufficient to enable him to maintain himself in the social position he may have reached by his good service. This follows very much the analogy of what has been done by the best employers of the commercial classes in civil life—when a servant is no longer able to do his full duty satisfactorily he is placed on less exacting work, passing the years of old age on a lower wage, and even when he becomes physically unable to do any work he, in many cases, draws a small rate of pay in return for hardly any labor at all.

I regret to say that that is the condition in some of the Departments to-day, though the people have not been dropped, but have been lowered. We do, in some cases, of course, drop them.

What is called a pension in the civil service is merely the continuance, during the latter years of life, of pay promised for a whole life service, during a period when services, if rendered, would probably be useless, and, in many cases, worse than useless. The payments made for the sixty-first or sixty-sixth years of life are no more deferred pay than those made for the sixtieth or sixty-fifth.

This is the present excellent charter of the civil service, and it is not only under this system, but because of it that the English civil service has earned its high reputation for fidelity, zeal, and independence. The advantages of this life provision are given wholly at the charge of the State and in their present form they have attained the objects in view. The same system has been introduced into very many establishments of the highest standing in the country, where continuous, zealous, and thoroughly honest services are the main requirements.

Mr. Hardy. Is it not true that England is now struggling with the old-age proposition?

Mr. Jordan. Not only that, but in France they have passed an old-age pension law by which the people are required to give a certain amount of money and the State supplements that.

I want to conclude my remarks by referring to one other way by which, in my judgment, you can take care of the question of appropriating money. It may be known to the chairman, who is a member of the legislative, executive, and judicial appropriations subcommittee, that large sums of money annually lapse into the Treasury of the United States. I have taken the greatest pains to ascertain the amount of that lapsed salary fund for the last two fiscal years, arising from various sources, such as resignations, failure to fill positions, and in other ways. Last year we found that the amount covered into the Treasury at the expiration of the two years was $802,000. Now, mark you, for the fiscal year 1906 you appropriated $133,000,000 for the classified service of this country, and that is growing from year to year.

I will digress long enough to say that I tried to induce the chairman of the Appropriations Committee of the House to make it mandatory upon the heads of the various Executive Departments and independent commissions to annually furnish to Congress, with their estimates, a statement on the money paid in salaries so that Congress itself might know what they are paying out for this increasing force of civil-service employees from year to year.

To return, this $802,000 lapsed and went into the Treasury of the United States. Those who remained behind, if there were vacancies in a particular office, did the work and kept it up, despite the fact, as the chairman will say, that Congress is constantly importuned for more clerical help. If Congress were to give the retirement fund the benefit of this lapsed fund instead of having it carried back into the Treasury of the United States—and I am satisfied, as Mr. Brown has stated, that his estimates are necessarily high—it would be sufficient to care for this project so far as the Government is concerned for an indefinite period of time. If, however, you wish to

adopt the suggestion which I first offered and which would in no way conflict with what has been suggested, taking the first month's salary and making the deductions on promotions, you have another way. Either plan, if adopted, would take care of the situation until the system got on its feet.

I have been associated with those who have been actively and zealously interested in the accomplishment of some retirement system. Each year we have had our annual meetings and kept up an organization. We try to hold the organization together and intact, and it has been somewhat difficult to do so.

The gentleman [Mr. Allen] has referred to two employees who have protested, and there may be others, but, speaking for the men and women of my age in the Departments, I want to say that the great majority of the employees are greatly in favor of and want some scheme of retirement in old age that will be satisfactory to Congress and as satisfactory as it may be to ourselves. You have either got to do that, if you are going to maintain the civil-service law, or you will have to do what I fear may be done, establish a tenure of office. And that, I trust, you will never do.

I thank you, gentlemen.

Mr. Brown has reminded me that I did not make my statement about the lapsed fund entirely clear. It was my understanding and desire to state that if the committee saw fit to give the retirement fund the benefit of the lapsed fund it would provide for the past services. In other words, it would take the place of the amount that Congress would directly appropriate as now contemplated under the Brown bill.

Mr. Hardy. Is the lapsed fund actually due to any employee?

Mr. Jordan. No, sir; it is simply unused money.

Mr. Hardy. The appropriation was not required for the service?

Mr. Jordan. It was not used.

The Chairman. It is just the same as making an appropriation out of the Treasury?

Mr. Jordan. It is simply appropriating by indirection; that is all it amounts to. I simply felt that Congress might not in its present temper feel disposed to appropriate the money which has been suggested, and we are anxious to get some bill on the statute books. The committee has but one aim, and that is the success of this scheme, and I considered that it would work in perfect harmony with the Brown bill.

Mr. Brown. I would like to ask Doctor Jordan if he has made any estimate as to whether the deduction from increases in salary would be sufficient to take care of the cost for past services?

Mr. Jordan. The estimates made upon the deductions for the fiscal year 1906, which was the most available material we had at that time, amounted to practically $1,500,000; more than sufficient.

The Chairman. That refers to the deductions from promotions?

Mr. Jordan. And the first month's salary, as well.

Mr. Hardy. And the 5 per cent.

Mr. Jordan. No; there is no reference whatever to the 5 per cent.

The Chairman. You expect the first month's salary of the newcomer will be applied to the past services of those already in exclusively; it would not go to his fund?

Mr. JORDAN. The deductions from first month's salaries and promotions should be placed in a special fund to pay annuities for services rendered prior to the enactment of the law. This would relieve the Government of the expense originally contemplated for annuities for such past services.

The CHAIRMAN. Is that your theory, that in order to supply a fund for the past services the first month's salary of the beginner shall go to the fund for the retirement of those already in the service?

Mr. JORDAN. Yes, sir.

STATEMENT OF MR. NEILSON FALLS, WAR DEPARTMENT.

Mr. FALLS. I think that any bill formulated upon the lines of the Brown bill or the Keep Commission bill would be satisfactory to our committee. Of course you have our bill to fall back upon, if it is necessary. There is just one thought, and that is the humanitarian view. I could almost preach a sermon to you gentlemen on the humanitarian side. That is something that must appeal to you all. The public service demands action. We are perfectly willing to go out, I for one, upon the very smallest basis of annuity. We feel that our work is almost done, and we know that younger men can do the work better and the situation in the Government service will greatly improve as soon as there is something for them to work up to.

Thereupon the committee adjourned to meet to-morrow, Saturday March 21, 1908, at 11 o'clock a. m.

COMMITTEE ON REFORM IN THE CIVIL SERVICE,
Saturday, March 21, 1908.

Committee called to order at 11 o'clock a. m., Hon. Frederick H. Gillett in the chair.

The CHAIRMAN. We have met this morning to hear the officers of the United States Civil Service Retirement Association, and I think probably this will be our last hearing. We will hear Mr. Neagle first.

STATEMENT OF MR. PICKENS NEAGLE, PRESIDENT OF THE UNITED STATES CIVIL SERVICE RETIREMENT ASSOCIATION, OF WASHINGTON, D. C.

The CHAIRMAN. Mr. Neagle, you are the president of your association?

Mr. NEAGLE. Yes, sir.

I think it advisable, in order to facilitate matters and also to spare the time of the committee somewhat, that I should read what I have to say rather than undertake to state it orally.

Representing the United States Civil Service Retirement Association, I may say that the association is not in the attitude of opposing any fair and reasonable measure that will provide a sure and lasting means of retiring the civil service employees at their own expense. It has not sought the enactment of a law that would impose upon the Government any part of the cost at any time of the retirement of such employees, but is, in fact, committed by its organic law—that is to say, its constitution—to the purpose of aiding to devise a means of retirement without cost to the Government.

It views with favor, however, the plan now under consideration by the committee by which the Government is to facilitate the establishment of a scheme of retirement by bearing the burden of caring for those that are now superannuated and by bearing a constantly diminishing part of the cost of retirement of those who will become superannuated from time to time before their own contributions for that purpose will become sufficient. This plan seems to the association to be the best one presented and appears to be the only one that is founded on justice and the right principle, and not at all unreasonable, because the Government would derive from the operation of the plan both an immediate benefit commensurate with the cost to it and a continuing benefit without giving an equivalent in return.

The committee has probably received about all the desirable information, facts, and figures relating to this subject that it is practicable to obtain, and I have nothing of that kind to offer in addition to what was submitted to the committee yesterday at my request and in my unavoidable absence by representatives of the Retirement Association, but I desire to make some deductions from the information already in the committee's possession and to emphasize some points that seem to me to have direct bearing and great weight upon the considerations that favor the general principles embodied in both the bills, H. R. 17969 and H. R. 18982, now before the committee.

As to the matter of cost to the Government:

The report, dated February 18, 1908, of the Committee on Department Methods, with which its proposed bill (now H. R. 17969) was submitted to the President, states that the possible loss to the Government through the superannuation of its employees is estimated by the National Civil Service Reform League to be about $400,000 in the Departments at Washington and about $800,000 outside of Washington, or in the whole classified service about $1,200,000. This amount is said to be a fraction of 1 per cent of the Government's annual pay roll, and it may be accepted as not at all overdrawn from the data it was based on, because the Reform League at that time, last November, was opposed to the plan, then formulated somewhat as it now stands, of the Committee on Department Methods, and was desirous of showing that the evil sought to be remedied thereby was a comparatively minor one.

The CHAIRMAN. Do you know what data that was based upon?

Mr. NEAGLE. That embodied in Census Bulletin No. 12.

Mr. MANN. Who says that $1,200,000 is 1 per cent of the Government pay roll?

Mr. NEAGLE. The National Civil Service Reform League.

Mr. MANN. Are they just as far off on other things as they are on that?

Mr. NEAGLE. Upon some things they are; yes, sir.

Mr. MANN. That is as wide of the mark as it could well be.

Mr. NEAGLE. That was the estimate they made, and I understand that at the time they made it they had no accurate information as to what was the actual amount of the pay roll. I think that information has been available for the public only a very short time.

Mr. EDWARDS. You do not represent the National Civil Service Reform League?

Mr. NEAGLE. No, sir.

The CHAIRMAN. Do you know what the annual pay roll of the Government is?

Mr. NEAGLE. Somewhere about $114,000,000, I think. It was stated yesterday in one of the papers submitted by our association.

Mr. STARR. Mr. North, the Director of the Census, has fixed the amount in a special report at $114,000,000.

Mr. MANN. But the pay roll of the Post-Office Department alone would amount to that, and I think more.

Mr. EDWARDS. Do you know what the annual pay roll is, Mr. Mann?

Mr. MANN. I should suppose it was in the neighborhood of $300,000,000.

Mr. NEAGLE. But not in the classified civil service.

Mr. MANN. Not all in the classified civil service; no.

Mr. HARDY. What would be the amount of the post-office pay roll in the classified service?

Mr. MANN. I think probably over $75,000,000 of it is in the classified service.

Mr. HARDY. The entire postal service is about $180,000,000, is it not?

Mr. MANN. I think this next year it will be about $224,000,000.

Mr. NEAGLE. The pay roll is a very difficult matter to figure out, but I think we would be safe in accepting the statement of the Director of the Census that it is about $114,000,000 for the classified service.

Mr. MANN. I do not think you would be safe in accepting it if it is contrary to the facts.

Mr. NEAGLE. Of course, but we have no better way of ascertaining the facts.

Mr. MANN. But we should make a proper effort to get a fair idea of what it is.

Mr. NEAGLE. I did not intend to set up a different idea from what the committee already knows. I was only attempting to illustrate the effect of the information that we have in hand.

It should be borne in mind that under existing conditions a drain from this cause is continuous, occurring every year and provided for every year by appropriations of public money. It should also be remembered that the civil-service force is growing constantly both by reason of increasing numbers required in many of the Departments and offices already existing and by the establishment from time to time of new bureaus and offices and sometimes whole Departments. And with this growth comes the proportion of superannuation. It is also true, I dare say, that within twenty-five or thirty years superannuation in the service will begin to increase rapidly and will become much more extensive than it now is because by that time the great bulk of the appointees under the civil-service law of 1883 will begin to reach the age of superannuation. Supposing that the above-stated annual loss to the Government should continue for sixty-seven years without increase, the total loss from superannuation in that time would be $82,400,000. But there is an increase in superannuation, as I have pointed out, and I think a fair estimate justifies adding to said sum 5 per cent thereof, or $4,120,000, to cover the loss by such increase of superannuation, arising from the causes I have stated. This would make a total of $86,520,000 the Govern-

ment stands to lose in sixty-seven years. But the estimate of $1,200,000 made by the Civil-Service Reform League as the annual loss is based, as stated by it, upon the reports of the various heads of Departments as embodied in Census Bulletin No. 12, and I venture the assertion that those heads of Departments, in view of their having ignored the law requiring them to disencumber the service of useless material, give every old employee the benefit of the doubt as to his superannuation. For this reason I think it not at all unlikely that the loss to the Government considerably exceeds the estimate above made and would in reality reach $90,000,000 in sixty-seven years.

Mr. MANN. Would it bother you if I would ask you a question there?

Mr. NEAGLE. No, sir.

Mr. MANN. Do you base your figures upon the loss to the Government entirely upon those over the age of 70 years?

Mr. NEAGLE. No, sir; I was referring to incapacity.

Mr. MANN. I understand. Do you make your estimate as to superannuation or incapacity wholly regardless of age?

Mr. NEAGLE. No, sir; but we take age as the principal cause.

Mr. MANN. But wholly regardless of any fixed age?

Mr. NEAGLE. Yes, sir.

Mr. MANN. That is, if you find a man incapacitated you call him superannuated regardless of whether he is 50, 60, 70, or 80 years of age?

Mr. NEAGLE. Yes; but we do not provide for retirement for him on that ground.

Mr. MANN. You provide for retirement for him on another basis?

Mr. NEAGLE. Yes, sir.

Mr. MANN. So that you are not estimating the loss to the Government now upon the same basis that you estimate the cost to the Government under the bill?

Mr. NEAGLE. It is very nearly the same; the difference is slight.

Mr. MANN. How nearly?

Mr. NEAGLE. If I had a copy of the report of the Committee on Department Methods I could show you better.

Mr. MANN. I have a copy here, but that will not give any information on the subject.

The CHAIRMAN. The only difference there would be, that I can see, is that if men were incapacitated under 65 years of age, the bill does not apply to them.

Mr. NEAGLE. It applies to all others.

Mr. MANN. The bill takes fixed ages of course. Mr. Neagle is talking about the cost to the Government by way of superannuation, and I want to ascertain whether his figures as to the cost to the Government were based on the same set of facts that we have presented to us as to the cost under this bill.

Mr. NEAGLE. The figures that I have taken are under the heading of: "Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil service July 1, 1903, upon attaining the retirement age of seventy years (the amount of annuity to be 1.5 per cent of the employee's salary July 1, 1903, for each year of service completed prior to that date)."

Mr. MANN. You do not presume to say that your figures as to the present loss to the Government by reason of superannuation are based upon estimates as to those over 70 years of age only?

Mr. NEAGLE. Not absolutely, but the difference is slight. There is no way of ascertaining the difference that I know of.

Mr. MANN. How do you ascertain the figures as to what it costs the Government?

Mr. NEAGLE. These figures are given as approximate.

Mr. MANN. But how are your estimates approximate unless you have some basis to go on?

Mr. NEAGLE. The loss of the difference between the figures given by the Committee on Departmental Methods and those given by the heads of Departments in the census bulletin is probably not greater than a very small fraction of 1 per cent, and that is derived from the figures shown in the Census Bulletin No. 12.

Mr. MANN. Then all the information you have on the subject comes from Census Bulletin No. 12?

Mr. NEAGLE. Yes, sir.

The CHAIRMAN. Let me see if I understand you. I understand you to mean that there would be hardly any incapacity in the men under 70?

Mr. NEAGLE. Practically negligible.

The CHAIRMAN. How do you get at that?

Mr. NEAGLE. From the information given in Census Bulletin No. 12, where they give tables showing the ages and the conditions, and by deductions from those.

The CHAIRMAN. In Bulletin No. 12 do they give statistics as to incapacity?

Mr. NEAGLE. The reports of the Departments are embodied in that book.

The CHAIRMAN. On that subject?

Mr. NEAGLE. Yes.

Mr. MANN. If it be the fact that the present cost to the Government by way of superannuation, as you say, is negligible below the age of 70, why do you propose to retire people at the age of 60 or 65?

Mr. DOUGLAS. Is not that a different class?

Mr. NEAGLE. Those classes are included in the retirement provision because of the difference in character of service.

Mr. MANN. I understood you to reply in answer to a question of the chairman that the present cost to the Government by superannuation was practically negligible as to the persons below the age of 70.

Mr. NEAGLE. Yes; as shown by the figures on which we are working.

Mr. MANN. Then why do you propose to retire people at the age of 60 to 65?

Mr. NEAGLE. Because the service would be benefited by getting them out of the way and by getting other people in.

Mr. MANN. And yet you think that the present figures that you are estimating upon, which would make the cost negligible as to those people, are incorrect?

Mr. NEAGLE. The reports of the Departments err in that respect. I think that the heads of Departments in making those reports were lenient.

Mr. HARDY. In other words, you think there are people on the pay roll in the employ of the Government who have passed the time when they should have been retired?

Mr. NEAGLE. Yes, sir.

Mr. HARDY. If you adopt a proper method would you have a greater per cent?

Mr. NEAGLE. More rapidly.

Mr. HARDY. But as it is now there would not be much loss to the Government on account of retirement below 70?

Mr. NEAGLE. No.

Mr. MANN. You question the accuracy of the figures upon which you make your estimate?

Mr. NEAGLE. Yes, sir.

Mr. HARDY. I did not understand him to question the accuracy so much as the propriety of the action of the Government in retaining these people on the pay roll.

Mr. NEAGLE. Yes; and giving them full pay.

Mr. MANN. You give us certain figures as to what it is costing the Government now on superannuation as it now exists, and then as to what it would cost under this bill to retire them. Then you say that the figures upon which these estimates are made are wholly unreliable?

Mr. NEAGLE. Not wholly unreliable; I did not go to that extent.

Mr. MANN. But inaccurate.

Mr. NEAGLE. Inaccurate, as they necessarily must be, and for that reason the figures that I have taken to explain this by must be accepted as approximate.

Mr. MANN. Is there any way by which we can obtain accurate information?

Mr. NEAGLE. No, sir; I think it is impracticable, because it would require such an interminable amount of time and such expensive labor to do it. The details that would have to be gone through in order to obtain it are very great and intricate and very hard to secure.

Mr. MANN. I do not think there would be very much difficulty about it.

Mr. NEAGLE. It took a good while and cost a good deal of time and money for the Census Office to get what information it has.

Mr. DAWSON. Does not the head of each Department inquire as to the incapacity of each clerk above the age of 70 years, and is not that done without any trouble?

Mr. NEAGLE. Yes, sir; I think so; but that would not reach the question of incapacity of those below.

Mr. DOUGLAS. It is pretty difficult to express that in figures, because some men not over 50 are not as efficient as some over 70.

Mr. COCKS. And some are never efficient.

Mr. MANN. It would simply be a matter of obtaining the figures so far as the age is concerned.

Mr. NEAGLE. Yes, sir.

Mr. MANN. And that has not been done excepting as to the age of 70; that is your estimate.

Mr. NEAGLE. That is my understanding; yes.

Mr. MANN. That there has been no effort made to make a report as to what this bill would cost, if enacted, to retire people under the age of 70?

Mr. NEAGLE. Yes; with regard to the ages of those in the service.

Mr. MANN. You are estimating now on a fixed age—that is, you are making a comparison of the relative cost to the Government under two propositions from two entirely different standpoints.

Mr. NEAGLE. It would be easy enough to get the people in the service above these ages and establish the cost of retiring them on that basis.

Mr. MANN. As a matter of fact, was not there a circular letter sent to every employee of the Government a few years ago in reference to these things?

Mr. NEAGLE. It was sent to the various Departments; yes, sir.

Mr. MANN. What became of that, do you know?

Mr. NEAGLE. My understanding is that that was what was embodied in Census Bulletin No. 12.

Mr. MANN. But have they embodied that; have they not embodied simply the negligible portion of that information?

Mr. NEAGLE. I have never examined it in comparison with the reports in such a way as to be able to speak accurately with reference to that.

Mr. HARDY. If I understand it, they have made an investigation which shows how many there are in the service of these respective ages, but they have not attempted to determine the question of capacity or incapacity of these employees by any method that is tangible.

Mr. NEAGLE. Yes, sir. It is a matter of common repute, and I think it is true, that there are more people incapacitated in the service than are given out by the heads of Departments.

Mr. HARDY. In other words, that it is somewhat covered up?

Mr. NEAGLE. Yes; and for several reasons.

Mr. HARDY. Do you think the passage of this bill would result in eliminating a whole lot of that incapacity?

Mr. NEAGLE. It would undoubtedly, because then there would be no reason for limiting or restricting the inquiry, and the determination of a man's incapacity might be made without regard to age if he were below the retiring age.

Mr. HARDY. Can you tell us anything of the character of those employees, some 5,000, I think, who receive as little as $100 a year, and under that in some cases? No one here yesterday could tell us who they were or what they were.

Mr. STARR. I have some information on that.

Mr. MANN. As to the men appointed through the Civil Service Commission there is a great deal of information given out that is incorrect.

Mr. NEAGLE. We will give you information upon that point in a few moments.

The Committee on Department Methods says that if its plan should be adopted the Government would have to bear expense for a period of sixty-seven years and that the amount would be $67,000,000. But this estimate is considerably in excess of the probable expense, because, as stated by that committee, no allowance is made for the fact that many employees who enter its computation will leave the service before reaching 70, to be replaced by appointees to whom the Government would have to pay no gratuity. This number is shown by the Civil Service Commission's records to average about 7,000 a year, and it is plain that such a large number of changes every year

for sixty-seven years would naturally make a very considerable difference in the number to be retired at the Government's expense. Besides, the estimate in question is based on statistics derived fifteen years ago, and during that time great numbers of younger people have entered the service who will not require so large a proportion of aid from the Government as would those who were in the service fifteen years ago, because the new people will have a longer time to contribute to the fund for their retirement.

Moreover the average salary taken by the Department committee of which the Government is to pay 1½ per cent for every year of service before the passage of the act is much greater than the real average. It was based on the salaries of the relatively few employees in Washington, which are higher than those received by the great mass of the employees, which lives outside of Washington. This convenient average is $1,072, whereas the true average for the whole service is only $768.33, or about 26 per cent less.

The CHAIRMAN. What do you include in that; do you include the men engaged in the navy-yards and arsenals in the classified service? vice?

Mr. NEAGLE. Yes; such as come under the classified service.

The CHAIRMAN. They are really mechanics; they do not pass a competitive examination.

Mr. NEAGLE. I am not quite clear as to just the line of demarcation in the classified service at the navy-yards.

The CHAIRMAN. Do you include skilled workmen in the Departments?

Mr. NEAGLE. I am not sure; I think so, but the point at which the civil service begins to take up those men I am not quite familiar with.

Mr. COCKS. It takes in the laborers in the custom-houses and those working on the docks. They pass an examination.

Mr. MANN. But they are not in the classified service; the skilled laborers are not in the classified service. They are appointed through an examination by the Civil Service Commission, but they are not in the classified service.

Mr. COCKS. How about samplers?

Mr. MANN. I think they are in the classified service.

The CHAIRMAN. Then, Mr. Neagle, you are not quite sure what your average is based upon.

Mr. NEAGLE. I am not sure as to what employees are excluded. We have only the figures given to us of those who are included in the classified service. I do not know the direction in which the line runs separating the classified from the unclassified.

Mr. MANN. The navy-yard employees are not in the classified service unless it has been done very recently.

Mr. EDWARDS. The mail carriers are included, are they not, both city and rural?

Mr. NEAGLE. Yes, sir.

In view of these comparisons I think it not at all unreasonable to say that the amount estimated by the Department committee to be paid by the Government in the sixty-seven years is, to be conservative, too large by fully one-third. If, then, we diminish the estimate by one-third we have only $44,700,000 left as the probable real cost to the Government. The difference between this prospective expense

and the actual cost by the present method of about $90,000,000 is $45,300,000, which is the tremendous saving to the Government by the time the proposed plan would become self-sustaining. It would seem that no one could raise a valid or tenable objection to a business arrangement that would save the Government so large a sum of money in the time stated.

As to the opportune time for legislation.

It is a fact that up to 1889 retirement of employees on pension was not in practice as a regular custom or in accordance with a definite system by any important corporation in the United States. In that year it was adopted by one large railroad company, the Pennsylvania. Then a number of years passed before any other company took it up—I think some ten years or so. After that scarcely a year passed without witnessing the adoption of some system of retirement and pension by one or several corporations in the country, until now the number that has resorted to it is probably near a hundred.

Ten years ago no considerable number of men in the country seemed to think of retirement on annuities of any kind as a feasible or expedient remedy for superannuation in the Federal civil service, and the suggestion of providing for it by any kind of legislation, except under the system still in vogue of carrying every incapacitated old clerk on the pay roll at a good salary, invariably raised a protest or met a chilling discountenance from President, Cabinet, Congress, public, and press, the most marked perhaps from the Congress itself. In these few years a great change has taken place, and the change has been most rapid and greatest within the last four or five years. It has resulted simply from the educating of the people upon the subject, making them familiar with the harmless terrors of this bugaboo, in which our association has played perhaps the leading part.

To-day retirement is advocated by the President, by the Cabinet, by many Members of Congress, and by a large part of the press, and there seems to be but little, if any, protest from the public, such as there is coming from the negligible uninformed that we have not yet had an opportunity to enlighten properly. And one of the strongest features of the great revulsion of sentiment is the fact that many of the advocates of the proposition go to the exteme of urging that the Government bear the whole expense, as is done by many of the foreign civilized nations.

For my own part I am radically and irrevocably opposed to what is commonly described as a civil pension list, meaning retirement upon an annuity paid by the Government, but I am not so blinded by my own convictions upon the subject that I can not see the trend of the tide. The signs are to my mind unmistakable, and I am convinced that if the agitation of this question in the future is continued as in the past, five years will not pass before the dominant idea will be retirement wholly at the Government's expense. But if the fair and reasonable proposition that is now largely in favor is adopted and made into binding law, the clamor will be stilled, the contention will be eliminated, the dissatisfied will be robbed of all cause for grievance, and the evil will be remedied for all time.

In connection with a matter of this kind there is, of course, room for great variation in details, and it is probably true that many minor items might be fixed one way or another without effecting any advantage or disadvantage so far as the proposition as a whole is

concerned, but so far as our association can perceive, the provisions embodied in a composite of the two bills mentioned would accomplish the desired purpose in a way to which there could be no rational objection.

I would state also that our association perceives no objection to the plan suggested yesterday to the committee of taking for a special fund a certain part of each clerk's salary—that for the first month—on original appointment and a percentage of his increased salary on promotion, such fund to be used for the payment of annuities for services rendered prior to the passage of a retirement law.

Mr. HARDY. The proposition was to take the whole of the first month's salary and distribute that over three, four, or six months?

Mr. NEAGLE. Yes, sir.

Mr. MANN. Is your association engaged in any way in the preparation of this bill?

Mr. NEAGLE. No, sir; excepting that the bill first prepared by the Committee on Department Methods was unknown to us in any way until it was made public, and then after a conference between the Committee on Department Methods and the National Civil Service Reform League, certain amendments were introduced, and the Committee on Department Methods consulted our association with reference to those things.

Mr. MANN. Has your league carefully examined the provisions of the bill—gone over it very carefully?

Mr. NEAGLE. Yes, sir; some of them more carefully than I have. I have been so busy at the office that I have not felt I could spare the time to devote to the labor that I should.

Mr. MANN. Is the bill fixed upon the basis of a fixed expectancy of life at the ages of 60 or 65?

Mr. NEAGLE. I think that was used. There was some question before the committee as to whether it would be well to use the expect ancy of life or the mortality table, and I think they took the expect ancy of life.

Mr. HARDY. What is the difference between the two?

Mr. NEAGLE. That is an insurance matter that I have not gone into, and I do not know.

Mr. MANN. Have you made calculation to see how much would be deducted from the salary of a letter carrier who entered the the Government service at the age of 35?

Mr. NEAGLE. No, sir.

Mr. MANN. Or any other age?

Mr. NEAGLE. No, sir; I am unable to make that kind of a calculation and make it accurately, so I have not undertaken it.

Mr. MANN. There is nothing difficult about it, I think. Have you made the calculation as to what a clerk in a post-office would have deducted from his salary?

Mr. NEAGLE. No, sir; I have not, and I have not made a calculation as to a deduction even from my own salary.

Mr. MANN. Has your league made any calculation of the amount of deduction that would be made from anybody's salary in the Government service?

Mr. NEAGLE. We employed some of the most prominent actuaries in the country some years ago, and they made a very exhaustive examination of the matter of deductions.

Mr. MANN. Under this bill?

Mr. NEAGLE. That was under the proposition to make uniform deductions from the salaries of all people, which, of course, is not the same as this.

Mr. MANN. Under the calculations of those actuaries you practically gave up that bill, did you not?

Mr. NEAGLE. We gave it up only because the committee on department methods produced a bill. It was sent to Congress by the President, and we did not want to interfere or put ourselves in the attitude of being in conflict with the President's views.

Mr. MANN. You have had bills before Congress for a number of years. When were these calculations made by the actuaries?

Mr. NEAGLE. Very soon after this Bulletin No. 12 came out. I think it was some four years ago.

Mr. MANN. And you have had a bill introduced upon that?

Mr. NEAGLE. At the last session of Congress the first time.

Mr. MANN. What bill was that?

Mr. NEAGLE. I do not remember the number of it.

Mr. MANN. Have you ever submitted those computations by the actuaries to this committee?

Mr. NEAGLE. That was done last year, yes, sir; in the hearings before the committee last year.

Mr. MANN. That may have been, but I do not recall it. There were no hearings last year, were there?

Mr. NEAGLE. Yes; or the year before.

Mr. MANN. I think there were hearings for several years before this committee, and after the hearings nothing was heard from the bill; nothing more was done about it; it was not pressed after it was ascertained by the clerks as to the amount that would be deducted from their salary. There was an almost universal protest against the passage of the bill. I received myself a great many letters protesting against the passage of the bill, and not one in favor of it after it became known what the effect of that bill would be; and I think your association would not advocate it.

Mr. NEAGLE. But not on that account.

Mr. MANN. They stopped coming up here.

Mr. NEAGLE. It became known then that the information that is now embodied in the report of the Committee on Department Methods was under preparation, and that the President was calling——

Mr. MANN. But that was before the Committee on Department Methods was appointed.

Mr. NEAGLE. But the President had called for information before the committee was appointed.

Mr. MANN. But the hearing that was had here was before the President took any action on the subject.

Mr. FAUNCE. We have only taken interest in one bill, that introduced at the last session.

Mr. MANN. Then there was another association which you have taken the place of, because we had hearings several years ago, and I talked with a number of officers of the association. I do not know whether they have changed the name or not, but——

Mr. STARR. We were called before the committee, but we had no bill prepared at that time. Since that time the committee prepared

the bill, and the figures in that bill have been verified by seven or eight of the most eminent actuaries in the country. That was included in my report of yesterday.

Mr. MANN. Can that be furnished to the stenographer and printed in the report?

Mr. STARR. It is in the report I made yesterday.

Mr. MANN. Do they show what deduction would be made from the pay of a letter carrier who entered the service at the age of 35?

Mr. STARR. It was 5 per cent for everybody.

Mr. MANN. That is of no value, then, as to this bill. You have no figures made, then, as to what the deduction would be under this bill?

Mr. STARR. No, sir.

Mr. MANN. Does anybody know what deductions would be made under this bill?

Mr. STARR. It was estimated at 3.57 per cent by the Keep Commission.

Mr. MANN. The Keep Commission estimated in a report that if a man entered the Government service at 20 and remained until 70 that the deduction for the fifty years shall be between 3 and 4 per cent; but that is a different proposition from a man who leaves the service at the age of 60.

The CHAIRMAN. I think Mr. Brown has tables for every year, but I do not know whether they have been printed or not.

Mr. HARDY. I understood Mr. Brown had a series of figures beginning at 60, 65, and 70, and covering men in the service twenty, thirty, thirty-five years, and so on.

Mr. MANN. Have you seen Mr. Brown's figures?

Mr. STARR. No, sir.

Mr. MANN. Has your association seen them?

Mr. STARR. I do not know whether it has or not.

Mr. MANN. Supposing this would require a deduction of 10 per cent from the salary of some official, do you think that deduction would be made with satisfaction to him unless his salary were considerably increased?

Mr. NEAGLE. It would depend upon the conditions.

Mr. MANN. Of his temper. Do you know of any Government clerks in Washington now who are receiving so much salary over and above their living expenses that they desire or are willing to have a deduction made from their salary?

Mr. NEAGLE. I know some that are willing to have deductions made, even at great cost to themselves.

Mr. MANN. Do you think the average clerk in Washington, so far as living expenses are concerned, can afford a deduction of between 5 and 10 per cent from his salary?

Mr. NEAGLE. No, sir; between 5 and 10 per cent would be too great.

Mr. MANN. Then if it is very clear that there will be a deduction of over 5 per cent in a man retiring at the age of 60 under this bill, do you think the people in Washington are paid so much over and above their living expenses that they could easily afford to have that deduction made from their salaries?

Mr. NEAGLE. No, sir; not at all.

Mr. MANN. So that if this bill should become a law on that basis, it would be essential to increase the salaries at least to that extent?

Mr. NEAGLE. No, sir; I do not think so.

Mr. MANN. To what extent would it be necessary to increase the salaries?

Mr. NEAGLE. I think it would be scarcely necessary to make any special increase on account of this bill. If the salaries were fairly proportionate to the circumstances under which people live now, they could, by pinching and economizing, stand the reduction.

Mr. MANN. You do not agree with the views expressed in the numerous letters that we see in the Washington newspapers itemizing the expenses of the Government clerks, where it is shown that they are not able to now live upon their salaries, and are obliged to run into debt. Do you think they could easily save an additional amount of money and turn that over to the Government for this purpose?

Mr. NEAGLE. I have not seen those statements.

Mr. MANN. I see them very often.

Mr. NEAGLE. I never saw one in my life.

Mr. HARDY. How many of these Government employees carry life insurance under different policies?

Mr. NEAGLE. I think a great many of them do in the beneficiary associations.

Mr. HARDY. What proportion, what per cent, of their salaries is required to pay the premiums on those policies?

Mr. NEAGLE. It is very small. If I may mention it, I think the Royal Arcanum is probably one of the best and one of the most popular companies, and upon $1,000 insurance I think the assessment is something like $15 a year.

Mr. MANN. I think you had better look that up, because I believe you are wrong.

Mr. NEAGLE. Is it larger than that?

Mr. MANN. Has it not been doubled in the last few years? It is not a fixed assessment.

Mr. NEAGLE. It has been increased for some of the ages, but I do not think the increase has gone throughout all ages. I am not a member of that organization, and really know nothing of it, but have read statements regarding it in the papers, to which I have paid some slight attention.

Mr. HARDY. Is it a fraternal organization?

Mr. NEAGLE. Yes.

Mr. MANN. I am not a member of the Royal Arcanum, but I do not think there is one organization in the country of any standing which has not recently had to increase the premiums, because they were all started upon some such basis as you propose here, one wholly inadequate.

Mr. HARDY. It seems to me that most of the insurance companies are based upon the idea of accumulating a certain surplus, making a certain profit, which runs up into the millions and even into the billions of dollars. As I understand it, this Government plan is based upon the idea of no profit—to absolutely divide all the earnings of the money of the clerks, and therefore it must be cheaper than any other organization.

ADDITIONAL STATEMENT OF MR. J. W. STARR.

Mr. STARR. There is one matter that I would like to call attention to, and that is a question that was asked yesterday and here again to-day in relation to the people sending letters here opposed to this

institution. The Executive order of January 31, 1902, attempts to prevent employees from endeavoring to influence legislation.

The CHAIRMAN. What is the pertinence of that, Mr. Starr?

Mr. STARR. It accounts for the fact that you have not received letters from individuals excepting those opposed to it, and the number received would be very few.

Mr. MANN. If you think that Government employees in the service generally pay any attention to that order of the President's you are woefully mistaken.

Mr. STARR. I think they do.

Mr. MANN. I think I have 5,000 letters a year from Government employees in relation to things that they want.

Mr. STARR. It may be that you get them, but here is the positive order of the President, and in order that we might proceed with the work of our retirement association we had to be exempted from it, and we were exempted in the formation of the bill which was prepared; and when prepared Mr. Fowler, of the House of Representatives, went with me to the President and we delivered it to him. It was introduced in the Fifty-ninth Congress in both House and Senate. Subsequent to that time we asked the President to relieve us further from that, and here is the order of the President, through Mr. Cooley, in relation to it [reads]:

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D. C., October 25, 1906.

Mr. JACOB W. STARR,
P. O. Box 37, Washington, D. C.

MY DEAR SIR: Referring to the conversation I had with the committee of the retirement association yesterday morning, in accordance with their request, I submitted the questions you asked to the President at my interview with him yesterday afternoon. He informed me that he was willing that your organization should collect such funds as might be necessary to defray the expenses of employing actuaries to present your bill to Congress and such other incidental expenses as might be legitimate. He also raises no objection to your urging the bill upon the attention of Congress under such restrictions as the Civil Service Commission prescribes.

I therefore have the honor to state that, in my judgment, this work should be undertaken by your executive committee, and that the members of the retirement association should be informed that the executive committee will take entire charge of the campaign. No member of the association not on the executive committee should attempt in any way to influence a Member of Congress, and the members of the executive committee should confine themselves to appearing before the committees having the proposed legislation under consideration or to explaining to the members of the committees the reasons why the bill is urged. The executive committee is also at liberty to answer all questions that may be addressed to it by any Member of Congress.

This authorization is in the nature of an exception to a general policy that has been laid down, and I therefore urge most strongly that your organization should be very careful to comply strictly with the suggestions contained in this letter.

Very respectfully,

ALFORD W. COOLEY,
Commissioner.

The CHAIRMAN. What is your object in introducing that?

Mr. STARR. It is to show how strongly we have been held down in not pressing this matter to you in the shape——

The CHAIRMAN. But you have the opportunity now to present it.

Mr. DOUGLAS. As I understand it, he simply refers to the letter.

The CHAIRMAN. Please give us the facts bearing upon the bill, as our time is short.

Mr. STARR. I have here a letter from Mr. North, the Director of the Census, in relation to those $100 and $200 clerks which were asked about yesterday—I have this from the Civil Service Commission in relation to it (reads):

The classified service embraces all employees who on the one hand are not mere laborers and on the other hand subject to confirmation by the Senate.

The civil-service rules except from examination persons receiving not more than $300 a year where the duties require only a portion of their time. This class embraces chiefly clerks at substations of post-offices, post light keepers, crop, rainfall, and river observers, display men of the Weather Bureau, housekeepers in the Indian Service, and clerks and others at small offices and in isolated localities.

Mr. MANN. Then there are no classified people under $100?

Mr. STARR. No, sir.

Mr. MANN. Or under $300?

Mr. STARR. Nor under $300.

Mr. MANN. Then that was an erroneous statement yesterday?

Mr. STARR. That was the official statement of the Director of the Census as to the Government employees. We accept it without question; it is official data, and consequently we are not apt to question the Director of the Census upon the matter.

Mr. MANN. Oh, no one complains about that.

Mr. STARR. That is all I have.

ADDITIONAL STATEMENT OF MR. NEILSON FALLS.

Mr. FALLS. A statement was made yesterday in regard to the present salaries paid, and I would like to read to the committee a statement made by Mr. Samuel Ramsey, the chief clerk of the Surgeon-General's Office in 1889 (reads):

The basis of the present scale of salaries was established by the act of April 22, 1854, at a time when rates of compensation generally were much lower than they are now. Salaries were fixed at $1,200, $1,400, $1,600, and $1,800, but in the thirty-five intervening years there have been great changes within the Department and without. The official day was then, in point of fact and usage, six hours, and is now seven; clerical work has become more complex and difficult from the multiplicity of laws regulations, and records to be coordinated and reconciled; and under the civil service the qualifications and tests for admission are vastly raised.

It is not generally understood that the basis of salaries to-day is that of 1854, fifty-odd years ago.

Mr. MANN. When you say that is the basis of salaries, what you mean is that that is the division into classes, third, fourth, and fifth, and so forth?

Mr. FALLS. That was what men were paid fifty years ago.

Mr. MANN. Oh, no; that is the way those classes were divided into salaries, that is all. That has nothing to do with the fact as to whether a man gets such and such a salary or not.

Mr. FALLS. Not at all. The question of wages was then determined to be $1,200, $1,400, $1,600, and $1,800.

Mr. MANN. They instituted certain classes on that basis, and what you have read refers to those classes in the appropriation acts, that is all.

Mr. FALLS. It simply amounts to a statement that at that time the purchasing value of a dollar was much greater than it is to-day.

Mr. MANN. But it would depend upon what class an employee was put into.

Mr. FALLS. But the purchasing power of the dollar to-day is much less than it was then, and that is the point that I wanted to make.

Mr. MANN. The Keep Commission has made recommendations which would involve thirty-seven different classes.

Mr. FALLS. But we care nothing about the classification, we only care about the purchasing value of the dollar received.

Mr. MANN. You think you are getting too much pay now?

Mr. FALLS. No; but I am perfectly willing to take less, sir, if the Government thinks I do not earn it. But what I want is that the gentlemen who give us this money and who prepare this bill must remember that the purchasing power of a dollar which they give us to-day, whether it is $1,200 or $1,400 or $1,600 or $1,800, is very much less than was the purchasing power of the dollar away back when the salaries were fixed in 1854.

Mr. MANN. I do not think the purchasing power of the dollar has changed so very much.

STATEMENT OF MR. M. F. O'DONOGHUE, OF WASHINGTON, D. C.

Mr. O'DONOGHUE. Mr. President and gentlemen of the committee, I do not know that I can add anything in the way of statistics to what has been stated here, but there is something that came under my observation in my career through life to which I want to call your attention, and from which a lesson might be learned.

As I understand it, this committee is trying to find a means of overcoming the obstacles that now stand in the way of the removal of superannuated clerks. Some years ago I was in Canada and was in the employ of the Canadian government, in the city of Ottawa. After serving there for some time I resigned, and came down here and entered the service of the United States Government under a competitive examination. Now, the Canadian government is small and relatively poor as compared with that of this country, and yet at the same time they have a perfect state of government up there, and during my residence in Canada I never heard of any dissatisfaction in the departments up there. There is none of the worrying up there which we notice here, and none of the deterioration of the service, and nothing like the amount of anxiety that the clerks here experience as to what shall happen to them as they shall become older, lest they should be forced to retire from the service here which incapacitates them for anything else. I sent to the Canadian government for a copy of their bill——

The CHAIRMAN. It was submitted here yesterday.

Mr. O'DONOGHUE. I think from that and from the kindred bills from the other civilized governments of the world elsewhere a vast amount of valuable information can be obtained.

Now, when I came here I could not see why it was that this Government, essentially democratic in its origin, could not provide for its servants as other civilized nations do. I remember that before I left Ireland I taught school there, and since I left there the teachers have been pensioned by the Government. Then I taught school in San Francisco, and since I left there the teachers have been pensioned, so that pensions seem to be following me [laughter], and I am beginning to wonder if they will not overtake me at some time other. I have been tempted on general principles to resign from

the service of the Government, with an idea that it would be for the general welfare, and to take care of myself on the outside; and perhaps if I am driven to it, I will do that.

Now, gentlemen, I have been in the Departments here and I know a great many of the elderly clerks. I was at one time in a certain Department, and I would not go through with my experience there again for a great deal. At that time I was appointed by Mr. Cleveland as chief of a division, taken out of the classified service and put into the unclassified. There were 60 clerks in the division at that time, and there was provision made for only 57 clerks. The period pending these reductions to make the number of clerks conform to the number provided for was something fierce.

Another thing that has struck me is that the clerks in the Departments of Washington are more closely allied to the flesh and blood of Congress and even of the Presidents than can be found anywhere else in the world. I can point out to you from California, the State where I came from, the sister and brother of a Congressman; I know the sister-in-law of a Senator, and I know the mother-in-law of a general, and I know the wife of a brigadier-general, and I know a brigadier-general himself, all in the Government service; so that when you strike at the Government clerk you are striking indirectly at the flesh and blood of Congress and of the Army and Navy and of the heads of the Executive Departments. The clerks, I say, are of the flesh and blood of Congress, and to a large extent they are the very best element in the United States. I have been all through it, and I have seen it, so that from a humanitarian standpoint and the standpoint of business as well, I should say you could not do anything better for the public service and for the country than to formulate and enact a wise and generous retirement system for the civil servants of the Government.

Mr. EDWARDS. Don't you think Congress should also provide a pension for retired Presidents of the United States?

Mr. O'DONOGHUE. That is another story. They do not devote all their time to the service. It is only temporary.

STATEMENT OF MRS. J. M. MONROE, VICE-PRESIDENT OF THE UNITED STATES CIVIL-SERVICE RETIREMENT ASSOCIATION.

Mrs. MONROE. Mr. Chairman and gentlemen, in regard to the young people in the Government service, the idea is that the young people are opposed to any retirement bill. That is a mistake. You have not yet heard from them, because it is against the President's order that their wishes should be made known or communicated by them. I am the mother of two young men in the Government service. Those two young men are in favor of the retirement bill, and they say that unless a bill of that character is passed in the near future, and in case they get an opportunity, they will go out of the Government service and enter corporation service, because they will there be better provided for and will get a higher salary. Those two young men are in scientific branches of the service, where it is hard to get competent people. One of them is in the Geological Survey and another is an expert draftsman in the Navy Department.

I am acquainted with a great many young men in the service, and I hardly know of one that is not in favor of a retirement bill. Of course

they do not want to give up as much as 5 per cent of their salary, as I understand is provided by this bill; but anything under that they are willing to be assessed for. Our own bill of course was based on the theory that there would be no help whatever from the Government, and we simply yielded and gave way to the Keep Commission's report.

Mr. EDWARDS. What salaries do your sons get?

Mrs. MONROE. One gets $2,000 a year and the other $1,200.

Mr. EDWARDS. And they would not be willing to stand an assessment of 5 per cent or more?

Mrs. MONROE. Five per cent and under—anything up to 5 per cent. I know two young men who will be married next fall, and they said to me: "Mrs. Monroe, if the Government provides some retirement scheme for us we will stay in the Government service, but if not, we will go out."

Mr. EDWARDS. I want to ask Mr. Naegle a question. Mr. Naegle, have you conferred with employees in different branches of the Government service as to whether or not they favor this plan and whether or not they will stand for a compulsory assessment of their salary of 5 per cent or more?

Mr. NAEGLE. I have had correspondence with employees in the different parts of the Government service, and the answers I have got are to the effect that they are in favor of it.

Mr. EDWARDS. What have you heard from the rural carriers on that?

Mr. NAEGLE. Nothing at all.

Mr. EDWARDS. It is a fact that their salaries are comparatively low, is it not, and that their expenses are proportionately heavy?

Mr. NAEGLE. I do not know as to that. I do not know what their expenses are.

Mr. EDWARDS. I will give you some information on that line. It is a fact that their expenses are heavy. I recently took pleasure in helping to increase the salaries of city letter carriers of the first class, and I hope to be able to help the rural carriers get an increase also.

The CHAIRMAN. Now, Major Brackett, 12 o'clock has come and we are pressed for time. It is our intention to adjourn and conclude the hearing soon.

STATEMENT OF MR. FRED BRACKETT, OF WASHINGTON, D. C.

Mr. BRACKETT. I would like to have the committee understand that there has been no consultation between myself and the other gentlemen here who are representing the Retirement Association, neither have I ever had anything to do with the formation of the bill which is called the Brown bill. I had prepared some time ago a slight criticism of that bill, and as I know you want to get as near to the facts as possible, I will read this with your permission. It does not quite agree with the statements that have already been made here.

Mr. EDWARDS. You are opposed to the bill, as I understand it?

Mr. BRACKETT. No, sir. I want the best bill we can get. I have examined the bill for the retirement of civil-service employees, and report thereon prepared by the subcommittee on personnel of the Committee on Department Methods, and beg leave to transmit the following criticism thereof:

Section 1. This section provides for the purchase of an annuity payable from the date a clerk arrives at age of retirement, "equal to 1½ per cent of his annual salary, pay, or compensation for every full year of service, or major fraction thereof, between the date of the passage of this act and the arrival of the employee at age of retirement."

It is obvious that this provision can not be literally carried out except in the case of an employee whose salary, pay, or compensation will not be changed "between the date of the passage of this act and the arrival of the employee at the age of retirement."

Mr. GILLETT. Why not, Major?

Mr. BRACKETT. As he is promoted and his salary changed, he would desire a higher annuity. Under the terms of the act——

The CHAIRMAN. I do not see why not.

Mr. BRACKETT. The section might properly be amended to read "an annuity for such amount as the officer or employee may elect to purchase at any time." This would allow the beneficiary to increase his annuity at any time his salary might be increased.

A 4 per cent interest basis for an annuity is too high. It is altogether improbable that more than 3 per cent interest could be earned. On this basis a larger deduction would have to be made every month than the amount stated by the Keep Commission.

Section 2. Provides for keeping an account with every employee. This would be a stupendous task. Persons of different ages receiving the same salary, and persons of the same age receiving different salaries, will have deducted from their semimonthly pay different amounts, all of which would have to be certified to the disbursing clerk, with the probable result of vexatious delay in payments and the posting of individual accounts. At least 125,000 accounts would have to be kept.

Section 6. Provides for groups 1, 2, and 3, to be composed of employees aged, respectively, at retirement, 60, 65, and 70 years of age.

Section 7. Provides for annuities based upon the following percentages of salaries for each year of service: Group 1, 1 per cent; group 2, 1.25 per cent; and group 3, 1.5 per cent.

I do not consider this an equitable provision, for there does not appear to be any good reason for making a difference of, say, $120 per annum in the pay of these three groups, when each of the employees may have served a like number of years, say forty, in which case a beneficiary in group 1 would receive (on a $1,200 salary) $480; in group 2, $600; and in group 3, $720. Then, too, an employee in group 3 would only need to serve twenty-six and two-thirds years to be entitled to the same retired pay as an employee in group 1 who had served forty years and as an employee of group 2 who had served thirty-two years. Note also that the group 2 employee would have eight years' advantage over the employee in group 1.

The question as to whether it is advisable to provide for a retired pay exceeding 50 per cent of the average salary for those now in the service is one worthy of serious consideration, especially as it is proposed that the Government shall contribute a portion of the annuity in such cases.

July 1, 1908, the youngest clerks listed in Census Bulletin No. 12 will be rated as follows:

Less than 19 years old	12
Who are 19 years old	20
Who are 20 years old	49
Who are 21 years old	112
Who are 22 years old	386
Who are 23 years old	946
Who are 24 years old	1,532

I am dealing with the young clerks only.

July 1, 1974, or, in sixty-six years, these clerks would be of following ages;

Say, 84 years old	12
Aged 85 years	20
Aged 86 years	49
Aged 87 years	112
Aged 88 years	386
Aged 89 years	946
Aged 90 years	1,532

It is not likely, however, that any of these clerks will be living in 1974, but any of the clerks who are 25 years old in 1908 will probably live until 1953, retire at age 70, and draw retired pay for, say, nine years thereafter, or until 1962.

The probability of life at the age of 70 is 8.48 years. I think there is a very slight probability that any of the present force will draw pay after 1962.

Understand that a clerk must be in service in 1908 (under the proposed bill) in order to receive a Government annuity in addition to the one he pays for by personal contribution. Therefore, in estimating the cost to the Government, we have to base our calculations on the years' service rendered by each clerk prior to 1908. The aggregate of such service is (for clerks in classified list) 1,376,846 years. Allowing 1¼ per cent of average salary for each year's service we have a total of 17,211 per cent of average salary due to all clerks (under the bill) on July 1, 1908. The average salary paid clerks being $1,072, there would be due on said date, as the Government's share of the annuity, $18,450,192 per annum, provided all of the 124,737 clerks in service (as per Census Bulletin No. 12) live to be 70 and retire under the provisions of the Keep Commission bill. It is reasonable to expect a large reduction in the number given (124,737) by reason of resignations, removals, and deaths. The average retired salary (of the whole number) would be 147.91 to be paid by Government from the date of each clerk's retirement. As the year for retirement would not be identical for all clerks, the total liability of the Government would not have to be met in a single year, but in the whole period between July 1, 1908, and the day when the last clerk entitled to the benefit expires, say, in 1974, allowing a 50 per cent reduction in the estimated number of clerks who may live until entitled to retire with pay, and we have $9,225,096 per annum due to such clerks on July 1, 1908, and payable on their annuity whenever they retire. As the average expectation of life at age 70 is 8.48 years, we must multiply $9,225,096 by that sum, producing $78,228,814, provided they all retire at age 70 (more will be due if they retire at age 60 or 65 as they will live longer), that would prob-

ably have to be paid between 1908 and 1974. A report made on the Keep Commission bill estimates the total amount to be paid as a Government annuity at $66,985,778, or $11,243,036 less than my estimate. This difference possibly arises from allowing a greater reduction than I have in the number reaching the retirement period, the probable reduction made by the Keep Commission being 64.5 per cent, not an unreasonable figure.

Now, I will say in regard to the number of clerks in the Government service that the difficulty comes in estimating any definite number. As to that, I will read now from a document filed in the Senate (Appendix G):

In estimating the approximate cost of any retirement scheme there should be a definite basis as to number of clerks in the classified service to proceed upon. Census Bulletin No. 12, issued July 11, 1904, gives the following varying numbers:

	Number.	Remarks.
Page 9: A total of	168,093	
Page 16: Table 5	150,383	−25,646, or 124,737, etc.
Page 24: Table 19	a 134,056	+613 special agents, etc.
Page 90: Table 65	149,333	Classified and unclassified.
Page 92	22,273	Classified in District of Columbia.
Page 96	102,464	Classified elsewhere.
Total	124,737	Classified in United States.
Page 94	3,318	Unclassified in District of Columbia.
Page 98	21,278	Unclassified elsewhere.
Grand total	149,333	In United States.
Page 21	21,138	Classified in District of Columbia.
Page 21	101,728	Classified elsewhere.
Total	122,866	Classified in United States.

a Excluding those paid by the piece and those reported without salary, or for whom salaries were not reported.

And so it goes.

Mr. BRACKETT. It was asked here what is the total amount of salaries paid to clerks and employees in the entire classified service. From information I procured from the various Departments and offices the amount paid in 1905 appears to have been $133,913,363.84, but the Director of the Census only reports $114,025,947 for the said year, making a difference of $19,887,866.84.

That was probably made up from the Government Printing Office, special agents, and employees of the Bureau of Engraving and Printing, and the rural-delivery service.

The CHAIRMAN. Now, Major, yesterday we were told, I think, that you had some figures on the deduction of a certain amount from salaries and those who were promoted. Could you give us those figures, or give them to the stenographer, so that he could insert them?

Mr. BRACKETT. Yes. Deducting one-twelfth of the salary from a clerk making an original entry into the service, and also deducting 25 per cent from any promotion.

The CHAIRMAN. You mean when a man is promoted, taking 25 per cent of the increase?

Mr. BRACKETT. Yes. If he was promoted from $1,200 to $1,400, take $50 from that promotion and deduct it in three months from his salary. The total of those two classes of deductions, based upon the Census Bulletin No. 12, would be $1,412,329.

The CHAIRMAN. In a year?

Mr. BRACKETT. Yes, in a year.

The CHAIRMAN. It seems incredible that it would be as large as that.

Mr. BRACKETT. You would not believe, either, that a number equal to the entire classified service goes out every sixteen years. In other words, the outgoing number is about 6 per cent a year. You will find that all in that document.

The CHAIRMAN. We are much obliged to you.

Mr. BRACKETT. I would like to leave a copy of a proposed bill with the committee.

The CHAIRMAN. We will be glad to have you do it. Give it to the stenographer, and he will put it in the record.

Mr. BRACKETT. I believe the Government of the United States should pay every cent that would be paid as retired pay. It is now paying the retired officers of the Army and Navy, the Revenue-Cutter Service, and the retired employees of the Life-Saving Service. In other words, you are giving retired pay to people who sometimes in war take life, and to others who save life, but you are not giving anything to the men who are caring for the dollars of the Government.

Mr. COCKS. The Life-Saving Service has no retired pay, as I understand.

Mr. BRACKETT. A bill has passed the Senate that carries that.

Mr. COCKS. Yes; we hope it will pass.

Mr. BRACKETT. I believe the perpetuity of the Republic depends as much on the men behind the dollars as upon the men behind the guns. I will leave a copy of that bill (Appendix H), which in effect asks the Government to contribute $3,660,000 a year and the clerks the balance. In other words, the Government would contribute 72 per cent of the needed sum, and the clerk 28 per cent.

Mr. COCKS. Don't you think the retirement fund or pension would be equivalent to increasing salaries—that is, making the service that much more desirable?

Mr. BRACKETT. I say that very thing. Under this scheme, the new bill which I present, the cost of retiring superannuated clerks or employees would be equitably distributed between the Government and all the employees in the classified service from time to time. The 3 per cent appropriation annually would be in effect an increase in the salaries of employees, as it would provide them retired pay without cost to themselves, but in return for the contribution of the Government those entering the service for the first time would receive less pay than the permanent employee (those who have completed the probationary or trial period of six months), and it would be at a time when the reduction in pay would not be a hardship considering the ultimate benefits to be derived.

The same would be true of the reduction or suspension of increased pay in case of promotion. The ratio of contributions to the retirement fund would be, say, 72 by the Government and 28 per cent by the employees.

The cost per annum ($3,660,000) to the Government would be less than the cost of a battle ship, while the cost to the employee in the three months' delay of increase in salary is of small consequence when contrasted with the benefit to be derived from the gain made in time of promotion by retiring the superannuated employees from time to time.

The CHAIRMAN. We are much obliged to you, Major.

Mr. BRACKETT. There is a statement here, Mr. Gillett, that was printed two years ago, that will be of value to the committee. It shows what has been done by all the governments of the world. (Appendix G.)

The CHAIRMAN. Give it to the stenographer. We will be glad to have everything of that character. There is a great deal that has been published that we will have to study up.

COMMITTEE ON REFORM IN THE CIVIL SERVICE,
Monday, April 13, 1908.

STATEMENT OF MR. HERBERT D. BROWN, OF CHICAGO, ILL.—Continued.

The CHAIRMAN. The question was raised here whether annuity payments would be confined to the funds accumulated by deductions from salaries and interest earned, or would they be confined to the Treasury of the United States. Is there any possibility that the funds provided here would not be sufficient to pay the annuities promised?

Mr. BROWN. Not if the rates charged for the annuities were similar to those charged by the insurance companies, because the insurance companies' rates are unquestionably ample for all obligations that are incurred under them.

Mr. MANN. Now, let us see whether you are correct about that or not. You provide that when a man reaches, say, the age of 70 years, he can purchase an annuity from the Government, or he can withdraw the funds to his credit in cash. Would it not be inevitable, under such circumstances, that the man who is in very poor health, but who, according to the mortality tables would have the same expectancy of life that the healthy man would have, but who would under those circumstances have a much less expectancy of life, inevitably withdraw his cash funds, and that the man who has a very good actual expectancy of life will leave his money in for the purchase of the annuity?

Mr. BROWN. I am glad you mentioned that because that so-called selection against the company is identical with the selection that is made against an insurance company, and that is taken into account in the rate that is charged.

Mr. MANN. But you have no such thing in an insurance company as you propose here?

Mr. BROWN. Yes; identically the same thing.

Mr. MANN. I would like to have you give us some evidence of that.

Mr. BROWN. Yes; I will prove that.

The CHAIRMAN. You mean that an insurance company can wait until the time comes——

Mr. BROWN. I mean to say this, that the insurance companies hold out to the public an offer all the time to issue annuities to anyone—to all comers, at the rates which we propose here; and it is not proposed to give to the clerks any rate that would give them an advantage as against the Government that the insurance companies do not give to the public. The selection against the company and

against the Government would be identical. All those who are in poor health would unquestionably take their money, while all those in good health might take annuities, but that is a selection against the company that is always taken into account in the making of annuity rates. Now, if the rates named were not sufficient at any time, the Secretary of the Treasury, under this bill, would have the authority to change the basis of those rates and charge a higher rate.

Mr. MANN. That could not apply to the individual who had reached the point where he was entitled to take the annuity. Under your scheme it could not very well apply for many years to come, and meanwhile, all this time, the Government pays the deficiency.

Mr. BROWN. If there was any question about the rates charged by the insurance companies not being adequate, there is no reason why the rates should not have been raised in the first instance. If it should prove afterwards that there would be a surplus under the bill, that surplus may be distributed by the Treasury Department from time to time through the annuities.

Mr. MANN. But the question which was asked is whether the Treasury shall bear the deficit, if there be one.

Mr. BROWN. There would be none.

Mr. MANN. I think that is a pure guess on your part.

Mr. BROWN. No; there is no guess about that. A number of the insurance companies in the United States are offering these rates to the public, willing to take all comers, good, bad, and indifferent, and their experience for years past has been that they have not lost money.

Mr. MANN. Anyone who has had experience with insurance companies knows that they take advantage of every possible thing they can, and that they get the advantage of a great many people who insure with them.

Mr. BROWN. There is no possibility of taking advantage of a person where he comes and puts down a certain amount of money with which to buy a life annuity.

The CHAIRMAN. Do the insurance companies allow a person who takes out a policy to wait until he comes to an age of 70 years, say, and then decide whether he will take the cash, or the annuity?

Mr. BROWN. Every policy that is issued by the Travelers' Insurance Company, at any rate, names an annuity that will be granted at the end of a given period of years, and the company takes a chance on the man being a good risk or a poor one.

The CHAIRMAN. Does he have the option at that time?

Mr. BROWN. Yes.

Mr. MANN. What Mr. Brown means, I think, is that the insurance companies offer at any age to sell annuities based upon a certain expectancy of life, and that it is natural to assume that people who had in fact little expectancy of life would not pay for an annuity, and that the people who in fact had, in their individual cases, a long expectancy of life, or good health, would be more apt to buy annuities. That is the point, is it not?

Mr. BROWN. In making annuity rates the companies never overlook the point of selection against the company by reason of difference in physical condition of the persons who might buy the annuities. The poor risk seldom buys an annuity, while the man who thinks he

is in first-class health, and will get in a long series of payments, pays his money for the annuity.

The CHAIRMAN. I suppose of course if the committee thought that was dangerous it could strike out the provision allowing a man to take cash.

Mr. BROWN. The annuity feature is not one that would be generally taken advantage of. The number of annuities issued by the Government would be small compared with the number of cash payments that would be made That I think is proved by the small number of annuities issued by the life insurance companies as compared with the cash surrender values that are taken on policies at maturity.

Mr. MANN. Can you tell us how many annuities have been issued from year to year in the last few years by the life insurance companies at the age of 70?

Mr. BROWN. No; I have not those figures here, but I can get them for you.

The CHAIRMAN. What is the real purpose of the deduction of 10 per cent from salaries of employees who remain in the service after reaching the retirement age?

Mr. BROWN. The purpose of the deduction of 10 per cent from the salaries of persons remaining in the service after reaching the age of retirement is this: If an employee enters the service late in life it naturally follows that the amount to his credit on reaching the retirement age would be small, and among that class the tendency to remain in the service would be greater than with those who had entered the service at an earlier period, and for that reason the 10 per cent clause was introduced for the purpose of increasing the amount to the credit of the individual as rapidly as possible, so that at as early a point as possible he would have an amount to his credit which would buy an annuity that would induce him to retire if he was remaining in the service through influence of his superior, when he should in fact retire.

The CHAIRMAN. The question has been asked here, What would be done under the provision in this bill permitting an employee to retire after twenty years of service and take an annuity? Suppose an employee entered the service at the age of 25 in an occupation that would give him retirement at the age of 70, but on reaching the age of 60 or 65 the employee retired and elected to take an annuity. How much annuity would he receive, and would the election to retire and take an annuity at either of the earlier ages place any additional burden on the Government?

Mr. BROWN. No; it would not when the annuity was being paid for by the employee. If an employee entered the service at 25 in a line of employment that would retire him at 70, and on reaching the age of 65 he decided to retire and convert the money to his credit into an annuity, it would work out like this: If his salary had been $100 per month, he would have to his credit on reaching the age of 65, $4,718. That would be the amount of his accumulation with interest. At the age of 65 the annuity rate would be $888, and therefore the annuity that the Government would grant on his retirement at the age of 65 would be the amount that 888 is contained in $4,718, or $531. Now, if he had remained five years longer, to the age of 70, and contributed five years more, and interest earnings had been added for five years longer, he would have received $810 annuity. If he retired at 60, the accumulations with the interest amount to

$3,657, and at that age the annuity rate would be $1,066. So that the annuity the Government would grant would be $343. The earlier he retires the smaller would be his annuity.

Mr. HARDY. In all cases it is intended to amount to an annuity that he could purchase at that age with the cash laid up to his credit.

Mr. BROWN. It is never more than the money will buy. There is no obligation on the part of the Government to pay an annuity that is not earned, and that he has not the money on hand to pay for; and the annuity rate could be changed at any time if it were found to be inadequate.

Mr. MANN. Of course that is all on the theory that this is a pure business transaction, and not for the interests of the Government in getting rid of superannuation. The moment you get into that you get to the theory of giving an adequate amount for his support or to help support him.

Mr. BROWN. This bill is intended to be in the interest of the Government primarily.

The CHAIRMAN. Objection has been made to the plan on the ground that it is undesirable to retire any one on more than 50 per cent of pay.

Mr. BROWN. There is not much foundation in that objection, because it would only be employees who had served more than thirty-three years who would retire on more than 50 per cent of pay. Since this plan is to put a premium on long service, and beginning at early ages, it seems to me it is in the interest of the service to pay a larger annuity for longer periods than thirty-three years.

The CHAIRMAN. Objection has been made to this plan on the ground that it would be an interminable task and very expensive to keep an individual account for each employee. What have you to say on that objection?

Mr. BROWN. When I was in Chicago a few days ago I made inquiry of several savings banks as to the number of individual accounts a bookkeeper can take care of, and I found that a very mediocre clerk can enter four, five, or six hundred items a day, take care of his necessary statement work and keep his accounts balanced, so that if we were to estimate that an ordinary Government employee could make 400 entries per day, and should work twenty-five days per month, it would follow that he could take care of 10,000 accounts; and if there were 150,000 employees from whose salaries deductions were being made, it would require 15 bookeepers to handle that part of the plan, and as you see the force required would not be very great.

Mr. MANN. Then why should not the cost of it be taken out of the fund instead of out of the Treasury Department?

Mr. BROWN. It would seem only fair that the Government should contribute something for the benefit it will receive from being able to dispose of superannuated material.

Mr. MANN. It is your position that it would cost very little. I think people who are familiar with the governmental service believe it will cost an exceedingly large amount.

Mr. BROWN. On what ground do they think that?

Mr. MANN. Anybody who has had experience with the Government service knows that.

Mr. BROWN. I am making an estimate of the number of accounts that a clerk would take care of on the low basis of 400 entries per day.

Mr. MANN. But upon a basis entirely dissimilar to the facts, however.

Mr. BROWN. I do not know about that; I thought it was very similar. In the matter of entering these items it would be easier than making entries in the savings banks, because the names on the pay rolls in the Departments almost always appear in the same order, and instead of having to hunt up different pages, as is common in entering items in savings banks, the employee could run right straight along, making one entry after another, because his record would be in the same order each month.

The CHAIRMAN. In this connection, I wrote to a minister of Canada, where they have this system in operation, asking him if he could tell me what the expense was there, but he replied that it was infinitesimal, and that the number of accounts they have is very small. (Appendix L.)

Mr. HARDY. I should think that a great deal could be done in connection with the bookkeeping and the accounting by use of printed forms.

Mr. BROWN. But pay rolls as they are now printed have a column for deductions, and one of the disbursing officers here in Washington told me some days ago that these deductions from pay would mean practically no extra work, or very little, provided they were made in even figures, which of course could be very easily done.

Mr. MANN. How could that be done?

Mr. BROWN. These deductions from salaries should be made to even 10 cents, for instance.

Mr. MANN. How could you do that under the bill?

Mr. BROWN. That could be easily done by providing in the bill that the deductions from salaries should be to the nearest 10 cents or 5 cents. It would not materially affect the results.

Mr. MANN. That is not in the bill?

Mr. BROWN. No; but this bill will probably be amended.

The CHAIRMAN. The question came up at one of the hearings whether this plan was not similar to fraternal life insurance and the resources equally inadequate. Is there any similarity between them?

Mr. BROWN. None whatever. The weakness in fraternal life insurance in the past has been due to the fact that their rates were based upon mortality of the members at the beginning of the organization. Naturally as the members grew older the rates increased, and the new members brought into the organization could never be in sufficient numbers to keep down the rates, so that ultimately the rate would increase, and when they reached a certain point the members, not knowing where the increase was going to end, would naturally begin to look for insurance in standard reserve companies. Those who were good risks would step out, and the poor risks would be forced to remain, and that would result in an additional increase in rates, and finally the organization would fail because the rates would become so high that no one would pay them. There is no similarity between the plan under consideration and fraternal life insurance.

Mr. MANN. Will you give us the figures upon which you base your tables on expectancy of life? What is the expectancy of life at the age of 50, 55, and so on up in five-year periods?

Mr. BROWN. The expectancy of life at 50 is 20.91 years; 55, 17.40 years; 60, 14.10 years; 65, 11.1 years; 70, 8.48 years; 75, 6.27 years; 80, 4.39 years; 85, 2.77 years; 90, 1.42 years.

I would like to say in that connection that this is the American table of mortality, and is the basis for computing life insurance rates used by the American companies. Now, annuity rates are quite the reverse of that, and a table contemplating greater longevity should be used and would be used. The table suggested by Mr. Flynn was the British Offices Life Annuity table, as that table represented practically the combined experience of the English companies from 1863 to 1893, about thirty years; and the expectation of life under that table is considerably longer than under the American table. The rates named by Mr. Flynn were based on that table with 3.5 per cent interest, but with no loading for expenses.

Mr. MANN. What is it under your table?

Mr. BROWN. I haven't that table here, and I have not been able to get it for you yet.

Mr. MANN. What table have you used in making your estimates?

Mr. BROWN. I am glad you mentioned that. The American table of mortality was used in figuring the mortality of present employees—in other words, in making up the table of probable cost to the Government for annuities for past service, but the rates which Mr. Flynn recommended were based upon the English table I have mentioned.

Mr. MANN. Who is Mr. Flynn?

Mr. BROWN. He is the assistant actuary of the Travelers' Insurance Company, and one of the most prominent young actuaries in the country. The reason that I have used the rates named by the Travelers' Insurance Company in talking about these annuities was because they are the figures that were incorporated in a report presented by the subcommittee of the Keep Commission, and I thought it was better to confine myself to one set of tables in order to avoid any confusion, but in actual practice a somewhat different table would be adopted.

Mr. MANN. You have submitted to members of the committee various tables showing the per cent required to be deducted from salaries at which you provide annuities at different ages. Upon what table of expectancy of life were those computations made?

Mr. BROWN. Those computations were based upon the rates charged by the Travelers' Insurance Company and other standard insurance companies for annuities at the ages named, and the rate of interest contemplated in those rates is 3½ per cent. The exact mortality table that is used I am unable to tell you, because all of the rates named there are the result of various changes by the insurance company from time to time, and I don't know just exactly what mortality they are based upon.

Mr. MANN. In making these figures you do not know what the expectation of life is at these various ages?

Mr. BROWN. I did not base those figures on any expectation of life, I used the table that I knew was current with a number of leading insurance companies, such as The Travelers, the Mutual Benefit, the Pacific Mutual, the Phoenix Mutual, the Prudential, and the Union Central. Other companies, such as the National Life of Vermont, the Penn Mutual, and the Provident Life and Trust charge lower rates.

Mr. MANN. But they are based upon expectation of life?

Mr. BROWN. Yes.

Mr. MANN. And you do not know what table it is?

Mr. BROWN. What table the insurance company used I do not know; I could not easily determine it; it is a mixture of several tables of mortality.

Mr. MANN. Your basis is wholly some table that some insurance company now has?

Mr. BROWN. Yes; and that is a very safe basis to follow.

Mr. MANN. Well, no one can tell about that. How long since the insurance companies have been using the tables?

Mr. BROWN. Those rates have been in existence for a great many years.

Mr. MANN. They have not been changed for a great many years?

Mr. BROWN. No; not those rates.

Mr. MANN. And these are based upon 3½ per cent?

Mr. BROWN. Yes.

Mr. MANN. Compound interest?

Mr. BROWN. Compound interest.

Mr. MANN. How much does $1 amount to in ten years at 4 per cent, compounded, for different years?

Mr. BROWN. I shall be glad to furnish the necessary interest tables for the record so that anyone will be able to compute the annuity for any age and length of service. (Appendix N.)

Mr. MANN. Yes; incorporate all of that.

Mr. BROWN. That, with the figures in the table that I handed you the other day, will enable anyone to figure any annuity.

APPENDIX A.

BILL PROPOSED BY HERBERT D. BROWN AND INTRODUCED BY HON. FREDERICK H. GILLETT, H. R. 18982, SIXTIETH CONGRESS.

[A BILL For the retirement of employees in the classified civil service of the Government.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That beginning with the first day of July next following the passage of this Act there shall be deducted and withheld from the monthly salary, pay, or compensation of every officer or employee of the United States to whom this Act applies an amount that will be sufficient, with interest thereon at four per centum per annum, compounded annually, to purchase from the United States, under the provisions of this Act, an annuity for every such employee on arrival at the age of retirement as hereinafter provided equal to one and one-half per centum of his annual salary, pay, or compensation for every full year of service or major fraction thereof between the date of the passage of this Act and the arrival of the employee at the age of retirement. The deductions hereby provided for shall be based on such annuity table as the Secretary of the Treasury may direct, and interest at the rate of four per centum per annum, compounded annually, and shall be varied to correspond to any change in the salary of the employee.

SEC. 2. That the amounts so deducted and withheld from the salary, pay, or compensation of each employee shall be deposited in the Treasury of the United States and shall be credited, together with interest at four per centum per annum, compounded annually, to an individual account of the employee from whose salary, pay, or compensation the deduction is made. The moneys so deducted and the income derived therefrom may be invested from time to time by the Secretary of the Treasury by the purchase of bonds of the United States, bonds or other interest-bearing obligations of any State of the United States, or any legally authorized bonds issued for municipal purposes by any city in the United States which has been in existence as a city for a period of twenty-five years, and which for a period of ten years previous to such purchase by the Secretary of the Treasury has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and which has at such date more than one hundred thousand inhabitants as established by the last national census, and whose net indebtedness does not exceed five per centum of the valuation of the taxable property therein, to be ascertained by the last preceding valuation of property for the assessment of taxes;

or the first-mortgage bonds of any railroad company, not including street-railway bonds, which, in compliance with existing law, reports regularly to the Interstate Commerce Commission a statement of its condition and earnings, and which has paid dividends of not less than four per centum per annum regularly and continuously on its entire capital stock for a period of not less than ten years previous to the purchase of the bonds by the Secretary of the Treasury. The moneys so deducted from salaries and the income derived therefrom shall be held and invested by the Secretary of the Treasury until paid out as hereinafter provided. Any deficiency in the fund hereby created to carry out the provisions of this act shall be paid out of any money in the Treasury not otherwise appropriated.

SEC. 3. That upon retiring at the age of retirement the employee may withdraw his savings, with the increment of interest as herein provided, under one of the following options, and receive in addition thereto such sum, if any, as may be apportioned by the Secretary of the Treasury out of interest accumulations in excess of the four per centum guaranteed by the provisions of this act, and such apportionment by the Secretary of the Treasury shall be conclusive:

Option I. In one sum.

Option II. In an annuity payable quarterly throughout life.

Option III. In an annuity payable quarterly throughout life, with the provision that in case of the death of the annuitant before he has received in annuities the amount of his savings, plus the interest credited thereon, the balance shall be paid to his estate. In determining at his death the amount due to his estate no account shall be taken of the annuities paid to him by the United States, as hereinafter provided.

Option IV. In an annuity certain for a limited term of years, payable quarterly.

If after retirement the employee does not avail himself of one of the foregoing options, but leaves the amount due him on deposit, interest at the rate of two per centum per annum on the original sum so left on deposit on retirement shall be credited thereto for a period not exceeding twenty years, and if not then withdrawn the money so left on deposit and the interest credited thereon shall be covered into the Treasury as a miscellaneous receipt.

SEC. 4. That upon absolute separation from the civil service prior to the retirement age, and only upon such separation, the employee may withdraw his savings, with the increment of interest credited thereon, in one sum, or, in case his savings amount to at least one thousand dollars, and he has been in the service not less than twenty years, he may withdraw the same under any one of the foregoing options computed on the basis of his attained age. In case of the death of an employee while in the service the amount of his savings, together with the interest credited thereon, shall be paid to his estate.

SEC. 5. That in case of reinstatement in the classified civil service of any person who at the time of his separation therefrom received a refund under section four of this act, his period of service for the purpose of retirement and of making the monthly deduction from his salary shall be computed from the date of such reinstatement, unless he shall within ninety days after reinstatement pay to the Secretary of the Treasury the amount refunded to him, in which case the same shall be replaced to the credit of his account, and the former period of service shall also be counted.

SEC. 6. That the retirement age herein referred to shall be sixty years for group one, sixty-five years for group two, and seventy years for group three. And the President of the United States shall designate the branches of the service to be included in each group.

SEC. 7. That every employee to whom this act applies shall be entitled, on reaching the retirement age, or having already passed that age, to retire from the service under the provisions hereinbefore contained, and also, in addition to the annuity herein provided for by his own contributions from his salary, to receive from the United States, during the remainder of his life, an annuity equal to one per centum for group one, one and one-fourth per centum for group two, and one and one-half per centum for group three of his average salary, pay, or compensation, during the last ten years of service, for every year that he shall have been in the service prior to the passage of this act; and the Secretary of the Tresaury is hereby authorized and directed to pay such annuity quarterly, from any money in the Treasury not otherwise appropriated, upon proper certification of the retirement of such employee by the appointing officer under whom he last served. Annuities from the United States for the period of service prior to the passage of this act shall be payable only on condition that the employee remains in the service until he reaches the age of retirement. On the death of the employee the payment of annuities provided for by this section shall cease and determine. Annuities payable by the United States under this section on salaries in excess of two thousand five hundred dollars per annum shall be based upon an annual salary of two thousand five hundred dollars.

SEC. 8. That the period of service upon which the annuity to be paid by the United States is based shall be computed from original employment, whether as a classified

or unclassified employee, and shall include periods of service at different times and service in one or more departments, branches, or independent offices of the Government, the Signal Corps prior to July first, eighteen hundred and ninety-one, and the general service in or under the War Department prior to May sixth, eighteen hundred and ninety-six.

SEC. 9. That the Secretary of the Treasury shall prepare and keep all needful tables, records, and accounts required for carrying out the provisions of this act. The records to be kept shall include data showing the mortality experience of the employees in the various branches of the service and in different localities through the country and the rate of withdrawal from the classified service, and any other information that may be of value and may serve as a guide for future valuations and adjustments of the plan for the retirement of employees.

SEC. 10. That within thirty days before the arrival of an employee at the age of retirement, the head of the Department or independent office shall certify to the Secretary of the Treasury regarding the efficiency of such employee, with a statement whether the public interest requires his continuance in the service or his retirement, and such certificate and statement shall be conclusive. If he certifies that by reason of the efficiency of an employee who has reached the retirement age, and is willing to remain in the service, his continuance therein would be advantageous to the public service, such employee may be retained for a term not exceeding two years; and at the end of two years he may by similar certification be continued for an additional term of two years, and so on. Upon the failure of the head of the Department or independent office to make the above-described certificate it shall be the duty of the Secretary of the Treasury to place such employee upon the retired list in accordance with the provisions of this act.

SEC. 11. That if an employee is retained in the service after reaching the retirement age, a deduction of ten per centum of his monthly salary, pay, or compensation shall thereafter be made while he remains in the service, and the same shall be treated as other deductions under this act.

SEC. 12. That the provisions of this act shall apply only to the classified civil service, which is hereby defined to include all officers and employees in the executive civil service of the United States, except persons appointed by the President and confirmed by the Senate, and mere unskilled laborers. No person serving in a position excepted from examination or registration as defined in the civil-service rules shall be included within the provision of this act unless he has served in a competitive position for at least one year. Whenever any person becomes separated from the classified service by reason of appointment in the unclassified service, such separation shall not operate to take him out of the provisions of this act. The President shall have power, in his discretion, to exclude from the operations of this Act any groups of employees whose tenure of office is necessarily intermittent or of uncertain duration.

SEC. 13. That none of the moneys mentioned in this act shall be assignable either in law or equity or be subject to execution or levy by attachment, garnishment, or other legal process.

SEC. 14. That for the clerical and other service and all other expenses necessary in carrying out the provisions of this act, during the fiscal year nineteen hundred and nine, including salaries and rent in the city of Washington, there is hereby appropriated the sum of fifty thousand dollars; and also the amounts necessary for the annuities to be paid by the United States, under section seven of this act, from year to year, are hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be available until expended.

SEC. 15. That the Secretary of the Treasury is hereby authorized to perform or cause to be performed any and all acts, and to make such rules and regulations as may be necessary and proper, for the purpose of carrying the provisions of this act into full force and effect.

APPENDIX B.

BILL RECOMMENDED BY THE SUBCOMMITTEE ON PERSONNEL, OF THE KEEP COMMISSION, AND INTRODUCED BY HON. J. A. GOULDEN, H. R. 17969, SIXTIETH CONGRESS.

A BILL For the retirement of employees in the classified civil service of the Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, beginning with the first day of July next following the passage of this act, there shall be deducted and withheld from the monthly salary, pay, or compensation of every officer or employee of the United States to whom this act applies an amount that would be sufficient, with interest thereon at four per centum per annum, compounded annually, to purchase from the United States, under the provisions of this act, an annuity for every such employee, on arrival at the age of retirement as hereinafter provided, equal to one and one-half per centum of his annual

salary, pay, or compensation for every full year of service, or major fraction thereof, between the date of the passage of this act and the arrival of the employee at the age of retirement. The necessary deduction hereby provided for shall be based on such annuity table as the Secretary of the Treasury may direct, and interest at the rate of four per centum per annum, compounded annually. Such deductions shall be varied to correspond with any change in the salary of the employee.

SEC. 2. That the amounts so deducted and withheld from the salary, pay, or compensation of each employee shall be deposited in the Treasury of the United States and shall be invested from time to time by the Secretary of the Treasury in State, municipal, railroad, or other bonds approved by him. The interest on said bonds shall be paid into the Treasury of the United States and shall be reinvested in the same manner as above described. The earnings shall be annually credited to the individual accounts of the employees from whose salary, pay, or compensation the deductions have been made, and the moneys deducted, together with the interest added thereto, shall be held and invested by the Government while the employee remains in the service, and after retirement as required for an annuity payment if he selects such option as hereinafter provided.

SEC. 3. That upon retiring at the age of retirement the employee shall withdraw his savings, with the increment of interest as herein provided, under one of the following options:

Option I. In one sum.

Option II. In an annuity payable quarterly throughout life.

The annuity herein provided for shall be based on such mortality tables as the Secretary of the Treasury may direct, and interest at the rate of four per centum during the first two years of the operation of this act. After the act shall have been in operation two years the interest assumed shall be the average rate the retirement fund shall have been earning during the two years prior to the first of January preceding the date of retirement. Upon the death of an annuitant his estate shall be paid the proportional part of the current quarterly payment.

SEC. 4. That upon absolute separation from the civil service prior to the retirement age, and only upon such separation, there shall be paid to the employee or his estate the amount of his savings, with the increment of interest credited thereon, in one sum: *Provided*, That any employee who shall voluntarily withdraw from the service before the age of forty-five years shall forfeit the accrued interest on his savings, and only the amounts deducted from his salary shall be returned to him. In case of death after reaching the retirement age and before deciding upon an option the savings, with the increment of interest credited thereon, shall be paid to the estate of the employee.

SEC. 5. The retirement age herein referred to shall be sixty years for Group One, which shall consist of employees whose duties require great physical activity; sixty-five years for Group Two, which shall consist of employees whose duties require a moderate amount of physical activity; and seventy years for Group Three, which shall consist of employees whose duties are mainly intellectual. And the President of the United States shall designate the branches of the service to be included in each group.

SEC. 6. Every employee to whom this act applies shall be entitled on reaching the retirement age, or, having already passed that age, to retire from the service under the provisions hereinbefore contained, and also in addition to the annuity herein provided for by his own contribution from his salary to receive from the United States, during the remainder of his life, an annuity equal to one and one-half per centum of his total compensation during service prior to the taking effect of this act, and the Secretary of the Treasury is hereby authorized and directed to pay such annuity quarterly upon certification of the retirement of such employee by the proper appointing officer under whom he last served: *Provided*, That after having served the United States twenty years an employee may be retired by the proper appointing officer by reason of disability not due to vicious habits, or by reason of exigencies of service but without fault or delinquency on his part, or on his own application after forty years' service, and upon such retirement shall be entitled to the benefits of this act.

SEC. 7. The provisions of this act shall apply only to the classified civil service, which is hereby defined to include all officers and employees in the executive civil service of the United States, except persons appointed by the President and confirmed by the Senate, and mere unskilled laborers. No person serving in a position excepted from examination or registration as defined in the civil-service rules shall be included within the provisions of this act unless he has served in a competitive position for at least one year. Whenever any person becomes separated from the classified service by reason of appointment in the unclassified service, such separation shall not operate to take him out of the provisions of this act. The President shall have power, in his discretion, to exclude from the operations of this act any groups of employees whose tenure of office is necessarily intermittent or of uncertain duration.

SEC. 8. The period of service upon which the annuity to be paid by the United States is based shall be computed from original employment, whether as a classified or unclassified employee, and shall include periods of service at different times and service in one or more departments, branches, or independent offices of the Government, the Signal Corps prior to July first, eighteen hundred and ninety-one, and the General Service in or under the War Department prior to May sixth, eighteen hundred and ninety-six.

SEC. 9. The Secretary of the Treasury shall prepare and keep all needful tables, records, and accounts required for carrying out the provisions of this act. The records to be kept shall include data showing the mortality of the employees in the various branches of the service and in different localities throughout the country, and the rate of withdrawal from the classified service, and any other information that may be of value and may serve as a guide for future valuations and adjustments of the plan for the retirement of employees.

SEC. 10. Within thirty days before the arrival of an employee at the age of retirement the proper appointing officer shall certify to the Secretary of the Treasury regarding the efficiency of such employee, with a statement, whether the public interest requires his continuance in the service or his retirement, and such certificate and statement shall be conclusive. If he certifies that by reason of the efficiency of any employee who has reached the retirement age, and is willing to remain in the service, his continuance therein would be advantageous to the public service, such employee may be retained for a term not exceeding two years; and at the end of the two years he may by similar certification be continued for an additional term of two years, and so on. Upon the failure of the proper appointing officer to make the above-described certificate, it shall be the duty of the Secretary of the Treasury to place such employee upon the retired list in accordance with the provisions of this act,

SEC. 11. None of the moneys mentioned in this act shall be assignable either in law or equity or be subject to execution or levy by attachment, garnishment, or other legal process.

SEC. 12. For the clerical and other service and all other expenses necessary in carrying out the provisions of this act, during the fiscal year nineteen hundred and nine, including salaries and rent in the city of Washington, there is hereby appropriated the sum of fifty thousand dollars; and also the amounts necessary for the annuities to be paid by the United States, under section six of this act, from year to year are hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, to be available until expended.

SEC. 13. The Secretary of the Treasury is hereby authorized to perform or cause to be performed any and all acts, and to make such rules and regulations as may be necessary and proper, for the purpose of carrying the provisions of this act into full force and effect.

APPENDIX C.

TABLES PREPARED BY HERBERT D. BROWN, SHOWING SALARY DEDUCTIONS UNDER GILLETT OR GOULDEN BILLS.

TABLE I.—*Showing per cent required to be deducted monthly from any salary to provide an annuity for a male at age of 70 equal to 1½ per cent of annual salary for each year of service. Illustration: $1,200 (salary)×1½ (per cent)=$18×50 (years of service) =$900 (amount of annuity).*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a).	(b).	(c).	(d).	(e).	(f).	(g).	(h).
70	20	50	$900.00	$742.00	$6,678.00	$1,871.48	[a] $3.568
70	25	45	810.00	742.00	6,010.20	1,483.64	4.051
70	30	40	720.00	742.00	5,342.40	1,164.87	4.586
70	35	35	630.00	742.00	4,674.60	902.87	5.177
70	40	30	540.00	742.00	4,006.80	687.52	5.828
70	45	25	450.00	742.00	3,339.00	510.52	6.540
70	50	20	360.00	742.00	2,671.20	365.04	7.317
70	55	15	270.00	742.00	2,003.40	245.46	8.162
70	60	10	180.00	742.00	1,335.60	147.18	9.075

[a] Or per cent.

salary, pay, or compensation for every full year of service, or major fraction thereof, between the date of the passage of this act and the arrival of the employee at the age of retirement. The necessary deduction hereby provided for shall be based on such annuity table as the Secretary of the Treasury may direct, and interest at the rate of four per centum per annum, compounded annually. Such deductions shall be varied to correspond with any change in the salary of the employee.

SEC. 2. That the amounts so deducted and withheld from the salary, pay, or compensation of each employee shall be deposited in the Treasury of the United States and shall be invested from time to time by the Secretary of the Treasury in State, municipal, railroad, or other bonds approved by him. The interest on said bonds shall be paid into the Treasury of the United States and shall be reinvested in the same manner as above described. The earnings shall be annually credited to the individual accounts of the employees from whose salary, pay, or compensation the deductions have been made, and the moneys deducted, together with the interest added thereto, shall be held and invested by the Government while the employee remains in the service, and after retirement as required for an annuity payment if he selects such option as hereinafter provided.

SEC. 3. That upon retiring at the age of retirement the employee shall withdraw his savings, with the increment of interest as herein provided, under one of the following options:

Option I. In one sum.

Option II. In an annuity payable quarterly throughout life.

The annuity herein provided for shall be based on such mortality tables as the Secretary of the Treasury may direct, and interest at the rate of four per centum during the first two years of the operation of this act. After the act shall have been in operation two years the interest assumed shall be the average rate the retirement fund shall have been earning during the two years prior to the first of January preceding the date of retirement. Upon the death of an annuitant his estate shall be paid the proportional part of the current quarterly payment.

SEC. 4. That upon absolute separation from the civil service prior to the retirement age, and only upon such separation, there shall be paid to the employee or his estate the amount of his savings, with the increment of interest credited thereon, in one sum: *Provided*, That any employee who shall voluntarily withdraw from the service before the age of forty-five years shall forfeit the accrued interest on his savings, and only the amounts deducted from his salary shall be returned to him. In case of death after reaching the retirement age and before deciding upon an option the savings, with the increment of interest credited thereon, shall be paid to the estate of the employee.

SEC. 5. The retirement age herein referred to shall be sixty years for Group One, which shall consist of employees whose duties require great physical activity; sixty-five years for Group Two, which shall consist of employees whose duties require a moderate amount of physical activity; and seventy years for Group Three, which shall consist of employees whose duties are mainly intellectual. And the President of the United States shall designate the branches of the service to be included in each group.

SEC. 6. Every employee to whom this act applies shall be entitled on reaching the retirement age, or, having already passed that age, to retire from the service under the provisions hereinbefore contained, and also in addition to the annuity herein provided for by his own contribution from his salary to receive from the United States, during the remainder of his life, an annuity equal to one and one-half per centum of his total compensation during service prior to the taking effect of this act, and the Secretary of the Treasury is hereby authorized and directed to pay such annuity quarterly upon certification of the retirement of such employee by the proper appointing officer under whom he last served: *Provided*, That after having served the United States twenty years an employee may be retired by the proper appointing officer by reason of disability not due to vicious habits, or by reason of exigencies of service but without fault or delinquency on his part, or on his own application after forty years' service, and upon such retirement shall be entitled to the benefits of this act.

SEC. 7. The provisions of this act shall apply only to the classified civil service, which is hereby defined to include all officers and employees in the executive civil service of the United States, except persons appointed by the President and confirmed by the Senate, and mere unskilled laborers. No person serving in a position excepted from examination or registration as defined in the civil-service rules shall be included within the provisions of this act unless he has served in a competitive position for at least one year. Whenever any person becomes separated from the classified service by reason of appointment in the unclassified service, such separation shall not operate to take him out of the provisions of this act. The President shall have power, in his discretion, to exclude from the operations of this act any groups of employees whose tenure of office is necessarily intermittent or of uncertain duration.

SEC. 8. The period of service upon which the annuity to be paid by the United States is based shall be computed from original employment, whether as a classified or unclassified employee, and shall include periods of service at different times and service in one or more departments, branches, or independent offices of the Government, the Signal Corps prior to July first, eighteen hundred and ninety-one, and the General Service in or under the War Department prior to May sixth, eighteen hundred and ninety-six.

SEC. 9. The Secretary of the Treasury shall prepare and keep all needful tables, records, and accounts required for carrying out the provisions of this act. The records to be kept shall include data showing the mortality of the employees in the various branches of the service and in different localities throughout the country, and the rate of withdrawal from the classified service, and any other information that may be of value and may serve as a guide for future valuations and adjustments of the plan for the retirement of employees.

SEC. 10. Within thirty days before the arrival of an employee at the age of retirement the proper appointing officer shall certify to the Secretary of the Treasury regarding the efficiency of such employee, with a statement, whether the public interest requires his continuance in the service or his retirement, and such certificate and statement shall be conclusive. If he certifies that by reason of the efficiency of any employee who has reached the retirement age, and is willing to remain in the service, his continuance therein would be advantageous to the public service, such employee may be retained for a term not exceeding two years; and at the end of the two years he may by similar certification be continued for an additional term of two years, and so on. Upon the failure of the proper appointing officer to make the above-described certificate, it shall be the duty of the Secretary of the Treasury to place such employee upon the retired list in accordance with the provisions of this act,

SEC. 11. None of the moneys mentioned in this act shall be assignable either in law or equity or be subject to execution or levy by attachment, garnishment, or other legal process.

SEC. 12. For the clerical and other service and all other expenses necessary in carrying out the provisions of this act, during the fiscal year nineteen hundred and nine, including salaries and rent in the city of Washington, there is hereby appropriated the sum of fifty thousand dollars; and also the amounts necessary for the annuities to be paid by the United States, under section six of this act, from year to year are hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, to be available until expended.

SEC. 13. The Secretary of the Treasury is hereby authorized to perform or cause to be performed any and all acts, and to make such rules and regulations as may be necessary and proper, for the purpose of carrying the provisions of this act into full force and effect.

APPENDIX C.

TABLES PREPARED BY HERBERT D. BROWN, SHOWING SALARY DEDUCTIONS UNDER GILLETT OR GOULDEN BILLS.

TABLE I.—*Showing per cent required to be deducted monthly from any salary to provide an annuity for a male at age of 70 equal to 1½ per cent of annual salary for each year of service. Illustration: $1,200 (salary)×1½ (per cent)=$18×50 (years of service) =$900 (amount of annuity).*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a).	(b).	(c).	(d).	(e).	(f).	(g).	(h).
70	20	50	$900.00	$742.00	$6,678.00	$1,871.48	[a] $3.568
70	25	45	810.00	742.00	6,010.20	1,483.64	4.051
70	30	40	720.00	742.00	5,342.40	1,164.87	4.586
70	35	35	630.00	742.00	4,674.60	902.87	5.177
70	40	30	540.00	742.00	4,006.80	687.52	5.828
70	45	25	450.00	742.00	3,339.00	510.52	6.540
70	50	20	360.00	742.00	2,671.20	365.04	7.317
70	55	15	270.00	742.00	2,003.40	245.46	8.162
70	60	10	180.00	742.00	1,335.60	147.18	9.075

[a] Or per cent.

TABLE II.—*Showing per cent required to be deducted monthly from any salary to provide an annuity for a male at age of 65 equal to 1½ per cent of annual salary for each year of service. Illustration: $1,200 (salary)×1½ (per cent)=$18×50 (years of service)—$810 (amount of annuity).*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a).	(b).	(c).	(d).	(e).	(f).	(g).	(h).
65	20	45	$810.00	$888.00	$7,192.80	$1,483.64	[a] $4.848
65	25	40	720.00	888.00	6,393.60	1,164.87	5.488
65	30	35	630.00	888.00	5,594.40	902.87	6.196
65	35	30	540.00	888.00	4,795.20	687.52	6.974
65	40	25	450.00	888.00	3,996.00	510.52	7.827
65	45	20	360.00	888.00	3,196.80	365.04	8.757
65	50	15	270.00	888.00	2,397.60	245.46	9.768
65	55	10	180.00	888.00	1,598.40	147.18	10.860
65	60	5	90.00	888.00	799.20	66.40	12.036

[a] Or per cent.

TABLE III.—*Showing per cent required to be deducted monthly from any salary to provide an annuity for a male at age of 60 equal to 1½ per cent of annual salary for each year of service. Illustration: $1,200 (salary)× 1½ (per cent)=$18 × 40 (years of service)=$720 (amount of annuity).*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a).	(b).	(c).	(d).	(e).	(f).	(g).	(h).
60	20	40	$720.00	$1,066.00	$7,675.20	$1,164.87	[a] $6.589
60	25	35	630.00	1,066.00	6,715.80	902.87	7.438
6	30	30	540.00	1,066.00	5,756.40	687.52	8.373
60	35	25	450.00	1,066.00	4,797.00	510.52	9.396
60	40	20	360.00	1,066.00	3,837.60	365.04	10.513
60	45	15	270.00	1,066.00	2,878.20	245.46	11.726
60	50	10	180.00	1,066.00	1,918.80	147.18	13.037
60	55	5	90.00	1,066.00	959.40	66.40	14.449

[a] Or per cent.

TABLE IV.—*Showing amount of annuity that may be provided for a male at age of 70 by a monthly deduction of 5 per cent from a salary of $100 per month, deductions beginning at various ages from 20 to 60. Deductions accumulated at 4 per cent per annum, compound interest.*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
70	20	50	$1,261.10	$742.00	$9,357.40	$1,871.48	[a] $5.00
70	25	45	999.76	742.00	7,418.20	1,483.64	5.00
70	30	40	784.95	742.00	5,824.35	1,164.87	5.00
70	35	35	608.40	742.00	4,514.35	902.87	5.00
70	40	30	463.29	742.00	3,437.60	687.52	5.00
70	45	25	344.02	742.00	2,552.60	510.52	5.00
70	50	20	245.98	742.00	1,825.20	365.04	5.00
70	55	15	165.40	742.00	1,227.30	245.46	5.00
70	60	10	99.18	742.00	735.90	147.18	5.00

[a] Or per cent.

TABLE V.—*Showing per cent required to be deducted from a monthly salary of $100 to provide an annuity of $900 per annum for a male at age of 70, deductions beginning at various ages from 20 to 60.*

[(a) Age of retirement. (b) Age of entrance to service. (c) Years of service. (d) Amount of annuity to be provided for on retirement at age shown in column (a). (e) Cost of $100 annuity, for a male, at age shown in column (a), first payment in one year after retirement. Interest at 3½ per cent per annum, compounded annually. (f) Cost of annuity shown in column (d). (g) Amount to which a deposit of $1 per month, first payment immediate, will accumulate at 4 per cent per annum, compound interest, at end of years shown in column (c). (h) Amount of monthly deduction required from monthly salary of $100 (per cent of other salaries), during years shown in column (c), to accumulate sum shown in column (f). Interest at 4 per cent per annum, compounded annually.]

(a).	(b).	(c).	(d).	(e).	(f).	(g).	(h).
70	20	50	$900.00	$742.00	$6,678 00	$1,871.48	a $3.568
70	25	45	900 00	742.00	6,678 00	1,483 64	4.501
70	30	40	900.00	742 00	6,678 00	1,164 87	5.733
70	35	35	900.00	742.00	6,678.00	902.87	7.396
70	40	30	900 00	742.00	6,678 00	687.52	9.713
70	45	25	900 00	742.00	6,678 00	510 52	13.081
70	50	20	900.00	742 00	6,678 00	365.04	18.294
70	55	15	900.00	742.00	6,678 00	245 46	27.206
70	60	10	900.00	742.00	6,678.00	147.18	45.370

a Or per cent.

APPENDIX D.

STAFF PENSION FUNDS WITH SPECIAL REFERENCE TO A RETIREMENT PLAN FOR UNITED STATES CIVIL-SERVICE EMPLOYEES.

[By Benedict D. Flynn, from transactions of the Actuarial Society of America, October, 1907.]

American actuaries have given but little attention to the subject of old-age pension plans, chiefly for the reason that the idea of providing for the aged poor of the state, and for the old and faithful employee, has not yet seriously taken hold of the American people. It is true that many of the great railway systems of the United States and Canada, and a few of the large banks and commercial houses, have established funds for the relief of their old employees, but when one considers the large number of institutions throughout the country in which this idea could be put into effect, the number of such funds existing is seen to be comparatively small. There are signs, however, that the subject is beginning to occupy public attention. The appointment recently by the governor of Massachusetts of a commission to investigate and consider the various plans of old-age pensions, with a view to establishing an old-age insurance system in the Commonwealth, and the interest which has been taken in a retirement scheme recently proposed for the United States civil-service employees, indicate that the time is not far distant when the question of national old-age pensions will be fully discussed, and the justice and advantages of staff pensions will be more clearly understood.

The part which the actuary must take as this idea of old-age provision develops is shown by a study of the history of old-age pensions in foreign countries to be both important and difficult. Actuarial advice will undoubtedly be sought in attempts to obtain a satisfactory solution to the problem of national old-age pensions, but it is in the valuation and readjusting of existing staff pension funds and in the establishing of new retirement plans that the services of the actuaries of this country will be more often required. It is advisable, therefore, that more attention be given to this branch of the subject in preparation for the responsibilities which may later fall upon the members of this society. Recognizing the necessity for this, the society at its last meeting added to its requirements for admission as a fellow a knowledge of the methods of construction and of valuation of pension funds. The subject is important and most interesting and it is with the purpose of bringing it before the society for consideration and discussion that this paper is submitted.

But few articles have been written on the technical side of the subject of staff pension funds from an actuarial standpoint, for the reason, probably, that one can become an authority upon the subject only after years of thought and practical experience, and also that the few papers written have covered the subject ably and thoroughly. Mr. Henry W. Manly, in his masterly work "On the valuation of staff pension funds" (J. I. A., vol. 36, p. 209; vol. 37, p. 193), first placed the study of staff pension funds upon a sound and scientific basis. Prior to the appearance of this paper, although some of the methods described by him had been used by other actuaries, nothing had

appeared in print, and most of the problems met in the valuation of these funds had been solved by methods of approximation. In a previous paper read before the second international congress of actuaries (Trans. of Sec. Int. Cong., p. 860) this gentleman had given solutions for many of the simpler problems which arise in connection with these funds, but in this later work he takes up those of a more intricate and practical nature and gives solutions which are mathematically exact. Nothing else of particular value appeared upon the subject, with the exception of an article by Mr. David Carment, "Practical notes on the valuation of pension funds" (Trans. of Fac. of Act., vol. 1, p. 305), until Mr. George King contributed a paper on "Staff pension funds" (J. I. A., vol. 29, p. 129), which has often been referred to as a text-book upon the subject. Although covering much the same ground as Mr. Manly, Mr. King treats the subject from a more practical standpoint and introduces some minor changes and improvements in the methods. These papers, with remarks and discussions upon them, if carefully read by the student, should give a good idea of the technical construction and of the methods of valuation of these funds.

A brief outline of the methods employed by these actuaries in the treatment of this problem may be of interest. The best way to gain an idea of the general construction of a staff pension fund is to take up, as does Mr. King, the valuation of an existing fund. As the statistics of one fund can not be safely used for another, the first step is to collect data from which to obtain rates of withdrawal, mortality and superannuation of members on the active list. From these statistics a service table is then made, which differs from a mortality table only in that there are three columns of decrements—withdrawels, deaths, and pensioned—instead of one. The average salary of the members at each age is also obtained and adjusted to represent the probable future average salaries of the fund at each age, if it has not yet reached a stationary state, and the result used as a model scale of salary or column from which the rate of increase of salary can be obtained. The valuation of the future contributions and the various benefits of the fund is made by means of factors, which, in turn, are obtained by the use of various sets of commutation columns. The factor which represents the value of the contribution of 1 per cent of future salaries, for instance, by an employee at age x, present salary \$100 and increasing according to scale, takes the form in somewhat similar notation of $\frac{N_x}{D_x}$. The commutation symbol in the numerator of this expression is based upon the l_x column of the service table, which is subject to the three decrements before mentioned, and also upon the salary scale which is introduced at each age. As salaries are assumed to be payable uniformly throughout the year of age, and withdrawals, deaths, and retirements to be distributed in a similar manner, the numerator of this expression and of those which follow is a continuous function. The denominators in every case are based upon the deaths, but in factors for the valuation of benefits depending upon future contributions, this function is modified slightly for ease in calculation.

In making the valuation of an existing fund, as the past contributions are known, the method followed is to consider separately the value of benefits based upon past and upon future contributions. Taking up the valuation of the simpler benefits, such as the return upon withdrawal of total contributions without interest, we have in respect to past contributions the total of such payments multiplied by a factor of the form $\frac{M_x}{D_x}$. The numerator of this expression is based upon the withdrawals just as the regular M_x is based upon the column of deaths. Similarly, the factor to be used to obtain the value at age x of the return upon withdrawal of 1 per cent of future salaries, present salary \$100 and increasing according to scale, is similar to $\frac{R_x}{D_x}$. The numerator of this expression is formed by using the column of withdrawals and also considering the salary scale. The factor for return upon death before pensioned is calculated upon the same principle for past and future contributions as those upon withdrawal, the difference being simply that the deaths are used instead of the number of withdrawals. The special forms of return upon death, such as total contributions with compound interest at valuation rate, with interest other than at valuation rate, and at simple interest, are obtained by employing special commutation columns to obtain the valuation factors.

Taking up next the valuation of the pensions, a table of continuous annuities applicable to the fund under observation must be prepared. The annuity values obtained from the experience of the fund can be used for the early ages, but in the later ages it is safer to employ some other table. Considering the simplest form of pension benefit, that based upon average salary from commencement of membership, upon retirement

at any time, we have in respect to past contributions a factor of the form $\frac{M_x}{D_x}$, and for those of the future $\frac{R_x}{D_x}$. The numerators of each of these expressions are based upon the column of retirements, and in the case of the factor for use in future contributions the salary scale is also introduced. This last factor gives the value of a pension of 1 per cent of average salary for each year of membership in respect of a salary of $100, increasing according to scale. In practice, any variations in this benefit are met, such as pensions based upon terminal salaries or upon varying percentages not directly based upon the number of years of service, and these are solved by obtaining factors based upon new commutation columns. It can be seen, therefore, that although many of the problems arising from the rules of funds met in practice are very complicated, their solution is much simplified by this extended use of commutation columns.

Although the American actuary will be called upon to value existing funds, it will be chiefly in the inauguration of new pension systems that his services will be required. It is therefore important to investigate the principal methods of construction of staff pension funds in order to determine which plan is best adapted to certain conditions and requirements.

From the above general outline, a fair idea of the elaborate structure of most of the funds in existence in European countries and the United States can be obtained. In the papers previously mentioned and throughout the remarks upon them reference is often made to the practical difficulties encountered in establishing a fund along these lines and the danger of weakness resulting from the unreliable nature of the materials upon which this framework is based. I quote from the remarks of Mr. G. J. Lidstone (J. I. A., vol. 36, p. 279) upon the latter phase of the subject:

"It must be remembered that, however much time and care might be taken in erecting an elegant and refined edifice, it could never have any more stability than the materials upon which it was founded. In the present case the materials were not only uncertain, but were often actually shifting, and not the same from time to time. Considering first of all the rate of withdrawal, which was assumed in the formula to be known and stationary, obviously the rate might vary within wide limits at different periods, owing to the trade conditions and a number of other circumstances, and therefore the experience of the fund might not be a safeguard in the future. An even greater difficulty arose when dealing with a new fund. One had then to utilize the experience of withdrawals before the fund was formed, but it was one of the principal objects of those funds—certainly one of their effects—to steady the service and prevent withdrawals to a certain extent, for a man belonging to such a fund thought twice before shifting his employment and thus sacrificing years of pension service. It might therefore be that the rate of withdrawal deduced from the experience amongst the officials before the fund commenced would be quite unreliable for the valuation of the fund when it was once in existence."

What Mr. Lidstone has said in regard to the great difficulty of obtaining a true measure of the rate of withdrawals applies, to a large extent, to the rates of mortality and retirement involved. And the salary scale, which is probably of greater importance in determining the amount of contribution than any other element, is most difficult to determine with reasonable accuracy. The presence of high-salaried officials in the older ages of the staff and the probability of change in the methods of advancement, call for the greatest care and judgment in the adjustment of the salary scale. Even when the work is completed in the most skillful manner, there is a grave question as to whether the result gives a fair estimate of the rate of increase in salaries to be experienced in the future.

The fact that these assumptions with regard to the rates of withdrawal, retirement, and salary increase can not be made with accuracy, however, would not of itself be of great moment, provided the errors of judgment did not place the fund in an unsafe condition, if it were not for the fact that in such a fund individuals or certain classes are not treated equitably. This point is set forth ably in remarks by Mr. William Sutton before a select committee of the House of Commons in 1891, as follows:

"It may be said that, with a few exceptions, superannuation funds as generally constituted are radically wrong in principle when looked at from the actuarial point of view. Instead of resting content with the introduction of as few assumptions as possible, they are made to involve not only assumptions as to the rates of mortality to be experienced among the members and as to the rate of interest to be earned by the accumulated funds—these may be fairly said to be indispensable—but they are also made to depend upon such capricious elements as the rates of secession of members (that is, of members leaving active service otherwise than by death or retirement) and the rates of salary the members will receive, and on which the nature and amount of their contributions to the fund will depend, as well as the amount of the pension they

will receive. It thus follows that in bringing into the question rates of secession and rates of salary, matters which can not be prognosticated with any certainty for any length of time, classes of members get lumped together whose real circumstances and conditions in respect of these matters are as different as possible."

The percentage contribution of a member to a fund formed on these lines can be looked upon as a rate in determining which the savings from various sources, such as deaths or withdrawals, have been anticipated and which has been based upon the salary which the member will receive in future. If, therefore, the experience on certain classes differs greatly from the assumptions made, especially in regard to such uncertain and important elements as rates of withdrawals and salary increase, the result must be inequitable treatment of the members. It might be possible, in theory, to improve this situation by dividing the whole membership into homogeneous groups and to modify the rates for each. The task of obtaining standards of measurement for the various groups which would be reasonably safe indices of future results would be, however, too great for practical solution.

Mr. Manly in his article upon staff pension funds states that he endeavors to persuade the employer to guarantee a certain rate of pension based upon years of service and average salary which is to be understood to be a reward for faithful service—that is, that the institution create and support its own pension fund. In cases such as this, where the employer contributes the whole of the cost of the pension scheme, the use of such a fund as outlined above is permissible, for the reason that the right of the employer to give to some larger pensions than to others can not be denied. Where part of the cost is contributed by the employer and the rest by the employees, however, although the latter can not complain if they receive ample return for their own contributions, it will probably save much annoyance and discontent if some other method be adopted. In case the pension system is based entirely upon the contributions of the members, some other plan would seem to be necessary.

Mr. King states (J. I. A., vol. 37, p. 44) that wherever possible he has recommended a system of deferred annuities combined with whatever other benefits are desired, the annuity to be purchased by a percentage deduction from the salary. In case of increase of salary the pension payable is obtained by entering the table of annuity values at the age attained, the same percentage of the increase in salary being used. This method is undoubtedly an improvement upon the other plan, in that it removes the troublesome element of rate of increase in future salaries, but the assumption with regard to the rate of withdrawal remains.

Before going further with the question of the proper plan to use in the organization of a pension system, the demands of the employees as shown in the rules of these plans should be considered. It is probably because of human nature that practically all pension schemes which depend in any degree upon compulsory contributions from members contain in their rules the privilege of return of the whole or part of the contributions with or without interest in case of withdrawal or death before age of retirement is reached. Mr. Manly states this point clearly in his remarks (J. I. A., vol. 37, p. 43):

"In nearly all the schemes the men try to get all their money back somehow, as well as a pension; and he had before him now a case where they wanted their money back with compound interest and to have a good pension as well."

In view of the fact, therefore, that the rules of pension schemes require the return of the whole or the greater part of the contributions of the members, and oftentimes with interest, the question which naturally arises is what necessity there may be for introducing the elements of mortality and withdrawal and of the erection of this elaborate statistical structure. Why not eliminate these assumptions entirely in so far as active members are concerned and simply accumulate the contributions at compound interest? This savings-bank idea, although referred to at various times throughout the discussion of staff pension funds, has never been given the consideration that would seem to be its due.

In cases where the rules of the plan call for return of contributions with tabular interest upon withdrawal, early retirement, or death, the deposit required upon this plan would be exactly correct. Where the rules allow simply return of contributions without interest or at a rate of interest lower than the tabular for any of the above modes of retirement the rates upon this plan will be larger than if profits were anticipated and a surplus account formed, its size being measured by the degree of liberality shown to the retiring members. Some idea of the difference in rates of a plan in which the contributions are simply accumulated at compound interest and of one in which the savings are anticipated can be gained from the following table. The figures for columns 1 and 2 are taken from the tables illustrating problems 7a and 9a of Mr. H. W. Manly's paper "On the valuation of staff pension funds" (J. I. A., vol. 36, pp. 224 and 227).

The basis of these figures is Mr. Manly's "Hypothetical pension fund experience table No. 4," which takes into consideration rates of death, withdrawal, and early retirement. The rate of interest used is 4 per cent.

Annual premiums to provide an annuity of 65—x at the age of 65 with the condition that the whole of premiums paid be returned upon death, withdrawal, or retirement before reaching age 65.

Age x.	Column 1—Without interest.	Column 2—With interest at tabular rate (4 per cent) in case of death or retirement and without interest upon withdrawal.	Column 3—With interest at tabular rate (4 per cent) (savings-bank plan).
15	.971	1.750	2.531
20	1.278	2.331	2.873
25	1.632	2.905	3.253
30	2.054	3.474	3.672
35	2.563	4.036	4.134
40	3.181	4.603	4.639
45	3.927	5.180	5.190
50	4.818	5.777	5.789
55	5.849	6.428	6.437
60	6.942	7.120	7.134

The rates in column 2, which will probably apply more nearly to the rules of the compulsory staff pension fund of to-day, can be seen to be but slightly smaller than the compound-interest deposit in column 3 at an average age of entry of about 30. The slightly larger premium of the compound-interest plan insures solvency, and it should not be a difficult task to devise an equitable method of apportioning at certain intervals the profits which will accrue, basing the computations upon the experience of the members by classes. The results under such a plan should be more satisfactory than by a method which in its rates anticipates the gains of the fund by making use of a single set of assumptions more or less inaccurate.

It is in the ease with which a plan based upon the savings-bank idea can be started and operated, however, that its chief advantage lies. An account can be kept for each member, and the proper return upon death or withdrawal or the amount of pension upon retirement can be determined with accuracy. Another advantage which this plan possesses is in the case of change in the rules of the plan. Mr. Manly states that in his experience rules were changed about every five years, and oftentimes without the knowledge and advice of the actuary who made the original calculations. Funds which start with simple benefits very often assume obligations of a more costly nature without a corresponding increase being made in the contributions required. In cases where such changes have been made and actuarial advice either ignored or not sought at all the funds have become insolvent with consequent loss to members. The result of increasing the benefits to the members under the savings-bank plan would simply be to cut down the gains to the fund and to reduce the surplus to be divided among the members—a simple adjustment compared with the situation in a fund built upon assumptions. It can be said, therefore, if the rules of a plan require the return of contributions with interest, as will most plans of to-day which make payments by members compulsory, that the use of the savings-bank plan as outlined above has many advantages and that, even in cases where the benefits to members are more restricted, it will prove a safe and desirable method for starting and carrying the scheme until a reliable experience can be obtained.

The value and adaptability of this method can best be shown in detail by considering a plan which has been proposed recently for the retirement of the employees of the classified branch of the United States civil service. This scheme was devised by Mr. Herbert D. Brown, formerly a special examiner for the Bureau of Corporations of the Department of Commerce and Labor, to fit the conditions peculiar to the United States Government service, and the writer was later consulted especially in regard to the actuarial problems involved.

The classified civil service of the United States is made up of about 150,000 employees in many different lines of work, situated in various parts of the country, and subject to widely varying conditions. Railway postal clerks, for instance, although required to pass a rigid physical examination upon entrance, are subjected to special

hazards and conditions incident to their work, which place them in a class by themselves. Various other branches, such as city letter carriers, because of the requirements of the work, experience rates of mortality and withdrawal differing greatly from the average for the whole service. Again, about 8 per cent of the whole number of employees are females—a most disturbing element in a fund and one which is most difficult to deal with. It can be seen, therefore, that the establishment of a fund in which the contributions and benefits of these widely differing classes are figured upon the same basis with regard to rates of mortality, withdrawal, and increase of salary would be manifestly unwise and unjust. It should be stated that, because of public sentiment against civil pension lists, it was necessary that the scheme be supported almost entirely by the contributions of members.

The foundation of the proposed retirement plan is a compulsory savings account for each Government employee, to provide for himself in old age or in event of physical incapacity prior to date of retirement. A certain percentage of the monthly wage of each person in the classified branch of the civil service, sufficient to provide a fund upon retirement of 1½ per cent of his annual salary for every full year of service, shall be withheld and deposited in the United States Treasury at 4 per cent compound interest per annum, in the name of and to the credit of the employee. Upon absolute separation from the service before reaching the age of retirement, and only in such event, the employee shall have the privilege of withdrawing his accumulated savings in one sum, or, if the amount of the fund to his credit be at least $1,000 he shall have the option of using his savings to provide an annuity at his attained age.

In case of the death of an employee while in the service the amount to his credit shall be paid to his estate. Upon attaining the age of retirement the employee may withdraw his savings in one of the following methods:

Option I. In one sum.

Option II. An annuity payable quarterly throughout life.

Option III. An annuity payable quarterly throughout life, with the provision that in case of the death of the annuitant before he has received in annuities the amount of his savings, the balance shall be paid to his estate plus interest credited thereon.

Option IV. An income payable certain for a limited term of years.

The proper age for compulsory retirement in the civil service differs according to the particular division which is under observation. There are provided, therefore, three groups into which various branches of the service are to be divided by the President of the United States, the age for Group I being 60 years, for Group II 65 years, and for Group III 70 years.

As it is often to the advantage of the service to retain an old employee because of his expert knowledge, it is provided in the rules that in such a case the employee may be retained, if he be willing, after the age of retirement, for two years and for successive periods of two years each, as long as, in the opinion of the head of the department, he continues efficient in the work upon which he is engaged.

In order that the object of the scheme may not be defeated in the case of old employees who will not be able in the years remaining before retirement to save enough to provide a proper pension, it is necessary for the Government to supplement the savings of these old employees, in order that they may be retired upon a comfortable competence. To attain this end, the plan contains the provision that an appropriation be made annually from funds in the United States Treasury, which will allow to pensioners in Group I, for each year of service prior to the date of introduction of the system of savings, 1 per cent of the average salary received during the ten years preceding that date, 1¼ per cent for Group II, and 1½ per cent for Group III. Some provision similar to the above is needed in the formation of every staff retirement plan where a constant percentage deduction is made from the salaries at all ages, in order that the younger members may not be unduly taxed to provide the pensions of the older men who will soon retire.

Stating the plan briefly, therefore, the employee is required to provide for himself in old age by systematic saving during his years of service, and the Federal Government, as an aid to the scheme, guarantees an attractive rate of interest, agrees to stand behind the plan and to meet the expense of operating it, and offers to help its present old employees who will not be able in the years remaining before retirement to provide pensions for themselves through their own efforts.

A brief reference to the actuarial work involved in establishing this plan may be of interest. As the selection exercised by the employee in choosing Option II will be nearly, if not quite, as great as that against an insurance company by a person purchasing an annuity, the British offices life annuity tables—males and females—with, however, no loading for expense, have been used in computing the charges for this option. In Option III, partly because of the advanced age of the employee at retirement and the consequent weight of the insurance element involved, and also for the reason that

the selection exercised by the employee would not be as severe as in Option II, the British offices life table (OM) was selected as the basis of this charge. Compound interest at 4 per cent, which is to be guaranteed by the Federal Government as an aid to the plan, was used in computing the figures for Options II, III, and IV.

Census Bulletin No. 12, The executive civil service of the United States, giving statistics as of July 1, 1903, was used as a basis for determining the amount of annual appropriation by the Federal Government to provide annuities for old employees. As these data were not considered sufficiently recent, the Census Bureau has compiled new statistics as of July 1, 1907, which will be used this winter in revising the figures already obtained.

The chief requirement in determining the annual appropriations was that the amounts be the maximum required to provide these annuities. For this reason, although the right of an employee to an annutiy from the Government is to be relinquished upon withdrawal or death, the withdrawals were disregarded and deaths alone considered in obtaining these figures. The method pursued is best shown by taking a particular age attained, as age 45 in Group I, the age of retirement being 60 years. The total of the annuity payments based upon 1 per cent for each year of service of the average salary for the past ten years was obtained for each age, and then discounted by the probability of dying before reaching the age of retirement. As the ages given in the census bulletin were for last birthday, and, consequently, the average age understated six months, and, as the annuity at retirement is to be payable quarterly, the factor $\frac{l\,60\frac{1}{2}}{l\,45\frac{1}{2}}$ was considered to be a safe approximation. To obtain the amount of annuity payments for employees now aged 45 during the second year and after retirement, the above result was multiplied by the factor $\frac{l\,61\frac{1}{2}}{l\,60\frac{1}{2}}$ and so on each year to the end of the mortality table. When these calculations had been completed for all ages and groups, the results were arranged and the total appropriations necessary to provide annuity payments in 1908, 1909, and later years were obtained.

The mortality table selected as the basis of these computations was the American experience table of mortality. This decision was reached after consideration of the effect of the conditions involved in this part of the proposed plan upon the amounts of appropriations and all other information obtainable which would throw light upon the character of the class under observation from the standpoint of probable longevity. As stated before, withdrawals, other than by death which take place before the retirement age is attained, will tend to decrease the amount of annuity payments each year. These amounts will also be diminished because of the fact that there are many employees at the older aegs, such as old soldiers, who have been in the service but a short time and who are receiving small salaries—virtually pensions—for unimportant work, who will be allowed to retain their positions rather than be retired upon an annutiy which would be but a small percentage of their annual salary. For these reasons, and because of the standard of the mortality table adopted, the appropriations determined would seem to be a safe outside estimate of the amount necessary to provide the annuity payments.

To establish and maintain this savings system, although it might require considerable clerical work, should not prove a difficult task. From a table giving the amount of $1 per month at 4 per cent compound interest for certain terms of years, the amount of accumulated savings at retirement could be easily determined for any age at entrance. At each increase in salary the table could be entered for the amount of monthly increase for the term of years remaining before attaining the age at retirement, and the value thus obtained added to the amount of accumulation which was being provided for under the old salary. A card could be written for each employee upon which could be kept his account, and, in addition, other data which could be used in obtaining the mortality experience, rate of withdrawal, and other valuable information in regard to the members of the classified civil service. Because of the large number under observation the experience could be safely subdivided to show the mortality of employees in the District of Columbia, as distinguished from the other main division of the service, elsewhere; also the experience in certain branches of the service, such as postal railway clerks and city letter carriers, which are affected by conditions peculiar to these classes of employees. The experience thus obtained would not only prove of considerable statistical value, but would serve as a guide in future valuations or adjustments of the plan.

APPENDIX E.

Statement submitted by Jacob W. Starr, showing separations from competitive positions by branches of the service and by fiscal years from 1898 to 1905, inclusive.

Branch of service.	1898.				1899.				1900.			
	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.
Departmental service	1,746	1,635	184	37,500	2,274	1,897	257	37,500	1,494	1,919	225	37,500
Post-Office service	535	805	199	31,000	507	907	214	35,650	480	1,131	225	37,000
Customs service	283	149	63	4,933	211	124	75	5,024	80	64	63	5,115
Internal-Revenue Service	579	336	34	3,168	208	125	13	1,876	73	55	12	1,876
Government Printing service	92	117	20	2,816	399	92	30	2,816	195	107	34	2,816
Railway mail service	68	158	48	7,999	70	160	63	8,388	52	213	67	8,696
Indian service	75	327	3	1,890	24	254	15	1,890	34	282	8	1,890
Total	3,378	3,527	551	89,306	3,693	3,559	667	93,144	2,408	3,771	634	94,893

Branch of service.	1901.				1902.				1903.			
	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.
Departmental service	941	1,904	268	44,800	659	1,898	255	45,975	711	2,234	263	54,107
Post-Office service	458	1,311	272	40,000	375	1,265	233	40,114	559	1,761	322	59,015
Customs Service	140	110	63	5,142	75	86	71	5,211	68	140	82	4,596
Internal-Revenue Service	61	56	24	1,863	58	62	28	2,015	49	77	41	2,057
Government Printing service	161	95	39	3,500	51	113	28	3,750	113	108	38	3,750
Railway mail service	56	271	52	8,975	57	236	67	9,000	50	331	88	10,355
Indian Service	29	298	8	1,925	21	312	10	1,925	21	348	8	1,798
Total	1,846	4,045	724	106,205	1,296	3,972	693	107,990	1,571	4,999	842	135,453

Branch of service.	1904.				1905.				Total.			
	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Competitive positions at end of fiscal year.	Removed.	Resigned.	Died.	Grand Total.
Departmental service	933	2,717	334	58,991	1,497	3,479	383	64,622	10,255	17,683	2,169	30,107
Post-office service	468	2,017	280	71,098	428	2,231	294	81,596	3,810	11,428	2,039	17,277
Customs service	83	124	67	4,935	191	167	80	5,398	1,131	964	564	2,659
Internal-Revenue Service	47	68	36	2,043	26	51	25	2,057	1,101	830	213	2,144
Government printing service	46	140	33	3,862	49	144	48	4,043	1,106	916	270	2,292
Railway mail service	67	626	103	11,301	81	402	82	12,171	501	2,397	570	3,468
Indian service	15	421	9	1,863	28	489	9	1,920	247	2,731	69	3,017
Total	1,659	6,113	862	154,093	2,300	6,963	921	171,807	18,151	36,949	5,894	60,994

APPENDIX F.

EXECUTIVE ORDER OF JANUARY 31, 1902, PROHIBITING ATTEMPTS OF GOVERNMENT EMPLOYEES TO INFLUENCE LEGISLATION.

"All officers and employees of the United States of every description, serving in or under any of the Executive Departments or independent Government establishments, and whether so serving in or out of Washington, are hereby forbidden, either directly or indirectly, individually or through associations, to solicit an increase of pay or to influence or attempt to influence in their own interest any other legislation whatever,

either before Congress or its committees, or in any way save through the heads of the Departments or independent Government establishments in or under which they serve, on penalty of dismissal from the Government service."

In response to a letter from the United States Civil-Service Retirement Association, requesting permission for the formulation of a bill for the retirement of superannuated employees, the President, under date of February 21, 1902, replied, in part: "Permission is restricted to acts pertinent and necessary to the single object proposed, namely, to obtain information, upon which legislation for the retirement of superannuated employees may be based."

APPENDIX G.

ANALYSIS, BY MR. FRED BRACKETT, OF THE UNITED STATES TREASURY DEPARTMENT, OF THE ASSESSMENT SCHEME FOR THE RETIREMENT OF CLERKS, BASED UPON A 3 PER CENT ANNUAL ASSESSMENT ON SALARIES, A 25 PER CENT ASSESSMENT ON ALL INCREASE OF SALARY, AND AN ASSESSMENT OF ONE-TWELFTH OF SALARY ON ALL ORIGINAL APPOINTMENTS.

In estimating the approximate cost of any retirement scheme there should be a definite basis as to number of clerks in the classified service to proceed upon. Census Bulletin No. 12, issued July 11, 1904, gives the following varying numbers:

	Number.	Remarks.
Page 9: A total of	168,093	
Page 16: Table 5	150,383	−25,646, or 124,737, etc.
Page 24: Table 19	[a] 134,056	+613 special agents, etc.
Page 90: Table 65	149,333	Classified and unclassified.
Page 92	22,273	Classified in District of Columbia.
Page 96	102,464	Classified elsewhere.
Total	124,737	Classified in United States.
Page 94	3,318	Unclassified in District of Columbia.
Page 98	21,278	Unclassified elsewhere.
Grand total	149,333	In United States.
Page 21	21,138	Classified in District of Columbia.
Page 21	101,728	Classified elsewhere.
Total	122,866	Classified in United States.

[a] Excluding those paid by the piece and those reported without salary, or for whom salaries were not reported.

Page 252, Report of Civil Service Commission for 1904, gives a grand total of 154,093 "competitive positions."

A recent report made by the Director of the Census to the retirement association (see p. 107) gives a total of 128,098 employees, with salaries aggregating $114,025,497. Reports received from various departments and offices (see p. —) show that $133,913,363.84 is paid this year for salaries to classified employees. There is therefore an apparent difference in the two reports as to salaries of $19,887,866.84. As the report of the Director of the Census did not include 613 special agents of the Census Bureau receiving small pay (not more than an average of $200 per annum), nor 1,587 pieceworkers (see p. 20, Bull. 12, supra), this would account for quite a large sum of the difference, but taking—

The maximum amount paid to Census special agents	$122,600
And allowing 1,587 pieceworkers an average of $1,500 each	2,380,500
We have a total of	2,503,100
Which is less the difference noted by	17,384,767
	19,887,867

The final difference noted may be the pay of rural free-delivery employees, but there is no report to that effect.

It seemed to me impossible to harmonize in any satisfactory way these conflicting statements. I therefore made several computations, as follows:

A. Based upon 22,273 clerks in the District of Columbia, serving twenty years and retiring at age 70, not deducting deaths before 70, but estimating them.

B. Based upon 22,273 clerks in the District of Columbia, and deducting deaths before 70.

C. Giving product of assessments, annual retired pay at $600 and $500, on basis of 6,705 times the number of clerks in Table B.

D. Showing available fund, payments, balances, and increments from insurance, based upon foregoing tables.

E. Based upon 149,333 clerks and employees in United States, retiring at age 70 without regard to term of service, giving survivors and years of salary (265,907) which, multiplied by $500, gives the cost for thirty years, but does not give the yearly balances and interest.

F. Giving the probable actual cost of retiring all clerks now in service when they shall have reached age 70, without regard to term of service, giving yearly payments, balances, and compound interest on balances at 3 per cent per annum, covering the period from 1906 to 1935—thirty years.

It may properly be asked why so many tables are presented, and in reply I have to say that they are the product of an evolution process, for which varying conditions are responsible. Then, too, it is desirable to try various methods in order to prove that the deductions are correct when comparison of the various tables are made.

The first table covers only that portion of the clerks in the classified service who are employed in the District of Columbia, and the tables following up to and including Table D are predicated on the first two.

The proportion of the clerks in the District of Columbia (22,273) to the entire force in the United States (149,333), given in Table 65 of Census Bulletin No. 12, is 6.705, and in various tables the estimates are increased that much.

An examination of Table E, however, will show that the product of such a multiple is too great for certain ages (see columns 8 and 10), for the proportion of aged clerks is greater in the District of Columbia than elsewhere. The result, however, gives more than the greatest possible maximum of clerks ever likely to be retired of those now on the rolls. The total of years service of clerks on Table E to be paid for under the first tables is 310,984, but under the amended list, column 8, it is only 265,907, which covers the actual conditions as the ages are divided to-day. The average of deaths per year in the entire service, as given by reports of Civil Service Commission for 1903 and 1904, is 859, or 0.00575 per cent per annum. In thirty years, therefore, we should lose in entire service 25,770 by death, provided the conditions remain as they are to-day, but as clerks grow older the average loss by death will increase.

In fixing the average of retired pay at $500 I am certain I have reached the maximum. The average salary of 149,333 clerks, whose salaries aggregate $122,000,000 would be $817 per annum. The average salary in statement of Director of the Census (Appendix H) is $890.14, while I have estimated the average salary at $1,000 and average retired pay at $500, thus giving a large increase, probably equal to one-tenth more than the maximum amount required. If the total amount paid is greater than $122,000,000 per annum, the product of a 3 per cent assessment would be greater than I have estimated it, while the average salary under any circumstances is not likely to exceed $1,000. In estimating the income to the retirement fund I have taken $122,000,000 as amount of annual expenditure for salaries, on which I have reckoned a 3 per cent assessment, producing $3,660,000.

There is an average of 8,082 deaths, resignations, and removals per year, and I have allowed an equal number of new appointments at $720 each, from which we receive $60 each, or one-twelfth of the whole amount. This produces $484,920 per annum, but as probably 5 per cent of the original appointments would be of $900 grade, we must add $6,060, or 404 by 15, which would give us $490,981 from appointments. From promotions we should receive an average of $120, less 5 per cent for appointments to vacated grades, which might not involve promotions. Each promotion ought to average $114, as follows:

$720 to $840	$120
840 to 900	60
900 to 1,000	100
1,000 to 1,200	200
	480

25 per cent (assessment) on $480 is $120.

$120 less 5 per cent=($6) $114.

$114 by 8,082=$921,348.

$490,981+$921,348=$1,412,329.

$1,412,329+$3,660,000=$5,072,329, the amount of annual proceeds from three sources.

The average "expectancy" of life for persons aged 70 is 8.48 years; that means that two persons of that age will probably live in the aggregate 16.96 years. One may live but two years, while the other will complete sixteen years (after reaching age 70). The terms lived by each may vary but the sum of the terms will be 16.96 years. This is the rate fixed by life insurance companies. I have allowed in the beginning (in order to facilitate computations) a term of nine years after age 70 and have subsequently deducted the difference between 8.48 and nine years, or 0.0577 per cent.

Resignations from the service average 5,606 persons per annum, therefore, if any of the 168,180 persons that will resign from the service within the next thirty years, are of such age as will bring them to age 70 by the year 1935, they must be deducted from the number (36,827) listed for retirement up to and including that year.

If but 1,000 of the 168,180 named are included among those whom we have treated as retired, and living in retirement for nine years, we will be able to reduce our retirement pay $4,500,000, less 0.0577 per cent, or $4,240,350 below the amount estimated on Table E.

It is proper to suggest, in conclusion, that if those who can give but little time to the investigation of this subject do not care to traverse all the tables given they will find in Table F the essential facts governing the cost of retirement scheme outlined in the Brownlow bill. The estimates cover a period of thirty years—from 1906 to 1935, inclusive. I am satisfied that the plan will be self-sustaining for forty years as well, and for all time under the same conditions, as the maximum number of clerks would be on retired list about the year 1947.

TABLE A.

Age in 1906.	Age 70 in year—	Clerks retiring.	Total retired.	Dying after retirement.	Clerks surviving.	Annual cost, at $600 each.	Probable losses. Per cent of loss before 70.	Number lost.	Years of pay.	Total years.
1	2	3	4	5	6	7	8	9	10	11
70	1906	472	472	....	472	$283,200	....	....	....	....
69	1907	110	582	....	582	349,200	0.06	7	9	63
68	1908	127	709	....	709	425,400	.11	14	9	126
67	1909	159	868	....	868	520,800	.15	24	9	216
66	1910	154	1,022	....	1,022	613,200	.19	29	9	261
65	1911	201	1,223	....	1,223	733,800	.22	44	9	396
64	1912	261	1,484	....	1,484	890,400	.25	65	9	585
63	1913	256	1,740	....	1,740	1,044,000	.27	69	9	621
62	1914	320	2,060	....	2,060	1,236,000	.30	96	9	864
61	1915	299	2,359	472	1,887	1,132,200	.32	96	9	864
60	1916	328	2,215	110	2,105	1,263,000	.34	112	9	1,008
59	1917	294	2,399	127	2,272	1,363,200	.35	103	9	927
58	1918	268	2,540	159	2,381	1,428,600	.37	99	9	891
57	1919	262	2,643	154	2,489	1,493,400	.38	100	9	900
56	1920	295	2,784	201	2,583	1,549,800	.39	115	9	1,035
55	1921	252	2,835	261	2,574	1,544,400	.40	101	9	909
54	1922	326	2,900	256	2,644	1,586,400	.41	134	9	1,206
53	1923	300	2,944	320	2,624	1,574,400	.42	136	9	1,224
52	1924	361	2,985	299	2,686	1,611,600	.43	155	9	1,395
51	1925	354	3,040	328	2,712	1,627,200	.44	156	9	1,404
50	1926	391	3,103	294	2,809	1,685,400	.45	176	9	1,584
49	1927	370	3,179	268	2,911	1,746,600	.46	170	9	1,530
48	1928	400	3,311	262	3,049	1,829,400	.46	184	8	1,472
47	1929	467	3,516	295	3,221	1,932,600	.47	219	7	1,533
46	1930	442	3,663	252	3,411	2,046,600	.48	202	6	1,212
45	1931	555	3,966	326	3,640	2,184,000	.48	266	5	1,330
44	1932	524	4,164	300	3,864	2,318,400	.49	257	4	1,028
43	1933	505	4,369	361	4,008	2,404,800	.49	247	3	741
42	1934	522	4,530	354	4,176	2,505,600	.50	261	2	522
41	1935	473	4,649	391	4,258	2,554,800	.50	236	1	236
Total	....	10,048	78,254	5,790	72,464	43,478,400	....	3,873	....	26,083

Total annual cost at $600 each	$43,478,400
Less 26,083 years, at $600	15,649,800
Cost of 6,175 clerks, at $600 (from 1906 to 1935)	27,828,600
Cost of 6,175 clerks, at $500 (in District of Columbia)	23,190,500
$23,190,500 × 6.705 (in United States)	155,492,303
If allowed 8.483 years, instead of 9 years life as average after retirement, would reduce amount 0.0577 per cent, or	8,971,906
Probable actual cost (from 1906 to 1935)	146,520,397

TABLE B.

Year.	Clerks on roll, retired.	Annual cost at $600 rate.	Aged 70, if surviving.	Probable loss.	Actually retiring.	Probable deaths.	Surviving.	Cost at $600.
1	2	3	4	5	6	7	8	9
1906	472	$283,200	472	....	472	....	472	$283,200
1907	575	345,000	110	7	103	....	575	345,000
1908	695	417,000	127	14	113	....	688	412,800
1909	844	506,400	159	24	135	....	823	493,800
1910	993	595,800	154	29	125	....	948	568,800
1911	1,179	707,400	201	44	157	....	1,105	663,000
1912	1,419	851,400	261	65	196	....	1,301	780,600
1913	1,671	1,002,600	256	69	187	....	1,488	892,800
1914	1,964	1,178,400	320	96	224	....	1,712	1,027,200
1915	1,791	1,074,600	299	96	203	472	1,443	865,800
1916	1,993	1,195,800	328	112	216	103	1,556	933,600
1917	2,169	1,301,400	294	103	191	113	1,634	980,400
1918	2,282	1,369,200	268	99	169	135	1,668	1,000,800
1919	2,389	1,433,400	262	100	162	125	1,705	1,023,000
1920	2,468	1,480,800	295	115	180	157	1,728	1,036,800
1921	2,473	1,483,800	252	101	151	196	1,683	1,009,800
1922	2,510	1,506,000	326	134	192	187	1,688	1,012,800
1923	2,488	1,492,800	300	136	164	224	1,628	976,800
1924	2,531	1,518,600	361	155	206	203	1,631	978,600
1925	2,556	1,533,600	354	156	198	216	1,613	967,800
1926	2,633	1,579,800	391	176	215	191	1,637	982,200
1927	2,741	1,644,600	370	170	200	169	1,668	1,000,800
1928	2,865	1,719,000	400	184	216	162	1,722	1,033,200
1929	3,002	1,801,200	467	219	248	180	1,790	1,074,000
1930	3,209	1,925,400	442	202	240	151	1,879	1,127,400
1931	3,374	2,024,400	555	266	289	192	1,976	1,185,600
1932	3,607	2,164,200	524	257	267	164	2,079	1,247,400
1933	3,761	2,256,600	505	247	258	206	2,131	1,278,600
1934	3,915	2,349,000	522	261	261	198	2,194	1,316,400
1935	4,022	2,413,200	473	236	237	215	2,216	1,329,600
Total	68,591	41,154,600	10,048	3,873	6,175	3,959	46,381	27,828,600

Annual cost at $600 rate	$41,154,600
Add 3,873 × $600 equals	2,323,800
Total (equals Table A)	43,478,400

46.381 years, at $600, equals $27,828,600.

TABLE C.

Year.	Product of 3 per cent tax on $122,000,000.	Tax on promotions and appointments.	Total of tax or assessments.	Annual pay of retired clerks, at $600.	Number of clerks, estimated.	Annual pay at $500, retired.
1906	$3,660,000	$1,412,329	$5,072,329	$1,898,356	3,164.76	$1,582,380
1907	3,660,000	1,412,329	5,072,329	2,313,225	3,855.37	1,927,687
1908	3,660,000	1,412,329	5,072.329	2,767,324	4,613.04	2,306,520
1909	3,660,000	1,412,329	5,072,329	3,310,929	5,518.21	2,759,107
1910	3,660,000	1,412,329	5,072,329	3,813,904	6,356.34	3,178,170
1911	3,660,000	1,412,329	5,072,329	4,445,415	7,409.02	3,704,512
1912	3,660,000	1,412,329	5,072,329	5,233,923	8,723.20	4,361,602
1913	3,660,000	1,412,329	5,072,329	5,986,224	9,977.04	4,988,523
1914	3,660,000	1,412,329	5,072,329	6,887,376	11,478.96	5,739,480
1915	3,660,000	1,412,329	5,072,329	5,805,189	9,675.31	4,837,657
1916	3,660,000	1,412,329	5,072,329	6,259,788	10,432.98	5,216,490
1917	3,660,000	1,412,329	5,072,329	6,573,582	10,955.97	5,477,985
1918	3,660,000	1,412,329	5,072,329	6,710,364	11,183.94	5,591,970
1919	3,660,000	1,412,329	5,072,329	6,859,215	11,432.02	5,716,012
1920	3,660,000	1,412,329	5,072,329	6,951,744	11,586.24	5,793,120
1921	3,660,000	1,412,329	5,072,329	6,770,709	11,284.51	5,642,257
1922	3,660,000	1,412,329	5,072,329	6,790,324	11,318.04	5,659,020
1923	3,660,000	1,412,329	5,072,329	6,549,444	10,915.74	5,457,870
1924	3,660,000	1,412,239	5,072,329	6,561,513	10,935.86	5,467,928
1925	3,660,000	1,412,329	5,072,329	6,489,099	10,815.17	5,407,583
1926	3,660,000	1,412,329	5,072,329	6,585,651	10,976.08	5,488,042
1927	3,660,000	1,412,329	5,072,329	6,308 064	10,513.44	5,256,720
1928	3,660,000	1,412,329	5,072,329	6,927,606	11,546.01	5,773,005
1929	3,660,000	1,412,329	5,072,329	7,201,170	12,001.95	6,000,975
1930	3,660,000	1,412,329	5,072,329	7,559,217	12,598.70	6,299,348
1931	3,660,000	1,412,329	5,072,329	7,949,448	13,249.08	6,624,540
1932	3,660,000	1,412,329	5,072,329	8,363,817	13,939.70	6,969,848
1933	3,660,000	1,412,329	5,072,329	8,573,013	14,288.35	7,144,177
1934	3,660,000	1,412,329	5,072,329	8,826,462	14,710.77	7,355,385
1935	3,660,000	1,412,329	5,072,329	9,317,268	15,528.78	7,764,390
Total	109,800,000	42,369,870	152,169,870	186,590,763	....	155,492,303

Total annual pay, at $500, retired	$155,492,303
9—8.48=0.52+9=0.0577 per cent×155,492-303	8,971,906
Total estimated cost	146,520,397

upon the theory that the clerks in the District of Columbia aged 41 to 70 (both inclusive) should be increased 6.705 times to obtain clerks in United States who would retire in year named, but the proportion is too large.

TABLE D.

Year.	Available fund.	Annual payment.	Annual balance	Interest earned at 3 per cent compound interest.
1	2	3	4	5
1906	$5,072,329	$1,582,380	$3,489,949	$104,700
1907	8,562,278	1,927,687	6,634,591	202,191
1908	11,706,920	2,306,520	9,400,400	288,066
1909	14,472,729	2,759,107	11,713,622	360,063
1910	16,785,951	3,178,170	13,607,781	419,042
1911	18,680,110	3,704,512	14,975,598	461,851
1912	20,047,927	4,361,602	15,686,325	484,436
1913	20,758,654	4,988,523	15,770,131	487,633
1914	20,842,460	5,739,480	15,102,980	467,719
1915	20,175,309	4,837,657	15,337,652	474,172
1916	20,409,981	5,216,490	15,193,491	470,015
1917	20,265,820	5,477,985	14,787,835	457,740
1918	19,860,164	5,591,970	14,268,194	441,772
1919	19,340,523	5,716,012	13,624,511	422,003
1920	18,696,840	5,793,120	12,903,720	399,780
1921	17,976,049	5,642,257	12,333,792	382,043
1922	17,406,121	5,659,020	11,747,101	363,874
1923	16,819,430	5,457,870	11,361,560	351,776
1924	16,433,889	5,467,928	10,965,961	339,533
1925	16,038,290	5,407,583	10,630,707	329,116
1926	15,703,036	5,488,042	10,214,994	316,323
1927	15,287,323	5,256,720	10,030,603	310,420
1928	15,102,932	5,773,005	9,329,927	289,213
1929	14,402,256	6,000,975	8,401,281	260,706
1930	13,473,610	6,299,348	7,174,262	223,041
1931	12,246,591	6,624,540	5,622,051	172,351
1932	10,694,380	6,969,848	3,724,532	113,921
1933	8,796,861	7,144,177	1,652,684	39,208
1934	6,725,013	7,355,385		
1935	5,072,329	7,764,390		
Deficiency	3,322,433			
Total	461,178,538	155,492,303	305,686,235	9,432,708

Total annual payment	$155,492,303
Less 0.0577 per cent	8,971,906
Money required	146,520,397
Money available	152,169,870
Excess	5,649,473
Total interest earned	9,432,708
Excess	5,649,473
Surplus in 1935	15,082,181

Less than $500 omitted and over $500 treated as $1,000 in computing interest.
There will be additional interest on $5,649,473.

TABLE E.

Age in 1906.	Age 70 in year—	Number on rolls in year 1906.	Per cent of loss before reaching 70.	Number lost.	Number retiring.	Dying in nine years.	Survivors each year.	Cost per annum.	Survivors per Table C.
1	2	3	4	5	6	7	8	9	10
70	1906	2,249			2,249		2,249	$1,124,500	3,165
69	1907	506	0.06	30	476		2,725	1,362,500	3,855
68	1908	621	.11	68	553		3,278	1,639,000	4,613
67	1909	757	.15	114	643		3,921	1,960,500	5,518
66	1910	903	.19	172	731		4,652	2,326,000	6,356
65	1911	1,129	.22	248	881		5,533	2,766,500	7,409
64	1912	1,280	.25	320	960		6,493	3,246,500	8,723
63	1913	1,278	.27	345	933		7,426	3,713,000	9,977
62	1914	1,524	.30	457	1,067		8,493	4,246,500	11,479
61	1915	1,634	.32	523	1,111	2,249	7,355	3,677,500	9,675
60	1916	1,629	.34	554	1,075	476	7,954	3,977,000	10,433
59	1917	1,534	.35	537	997	553	8,398	4,199,000	10,956
58	1918	1,483	.37	549	934	643	8,689	4,344,500	11,184
57	1919	1,633	.38	621	1,012	731	8,970	4,485,000	11,432
56	1920	1,603	.39	625	978	881	9,067	4,533,500	11,586
55	1921	1,711	.40	684	1,027	960	9,134	4,567,000	11,285
54	1922	1,880	.41	771	1,109	933	9,310	4,655,000	11,318
53	1923	1,721	.42	723	998	1,067	9,241	4,620,500	10,916
52	1924	2,090	.43	899	1,191	1,111	9,321	4,660,500	10,936
51	1925	2,216	.44	975	1,241	1,075	9,487	4,743,500	10,815
50	1926	2,379	.45	1,070	1,309	997	9,799	4,899,500	10,976
49	1927	2,467	.46	1,135	1,332	934	10,197	5,098,500	10,513
48	1928	2,641	.46	1,215	1,426	1,012	10,611	5,305,500	11,546
47	1929	3,040	.47	1,429	1,611	978	11,244	5,622,000	12,002
46	1930	3,178	.48	1,525	1,653	1,027	11,870	5,935,000	12,599
45	1931	3,598	.48	1,727	1,871	1,109	12,632	6,316,000	13,249
44	1932	3,688	.49	1,807	1,881	998	13,515	6,757,500	13,940
43	1933	3,446	.49	1,589	1,857	1,197	14,181	7,090,500	14,288
42	1934	3,741	.50	1,871	1,870	1,241	14,810	7,405,000	14,711
41	1935	3,703	.50	1,852	1,851	1,309	15,352	7,676,000	15,529
Total		61,262		24,435	36,827	21,745	265,907	132,953,500	310,984

Total number on rolls in 1906	61,262
Number lost	24,435
Number retiring	36,827
310,984×$500	$155,492,000
265,907× 500	$132,953,500
Difference overestimated in Table C	$22,538,500

TABLE F.

Year.	Number clerks.	Actual annual cost.	Available fund.	Annual balance.	Annual interest at 3 per cent.
1	2	3	4	5	6
1906	2,249	$1,124,500	$5,072,329	$3,947,829	$108,440
1907	2,725	1,362,500	9,020,158	7,657,658	232,993
1908	3,278	1,639,000	12,729,987	11,090,987	339,720
1909	3,921	1,960,500	16,163,316	14,202,816	436,282
1910	4,652	2,326,000	19,275,145	16,949,145	521,558
1911	5,533	2,766,500	22,021,474	19,254,974	593,297
1912	6,493	3,246,500	24,327,303	21,080,803	650,229
1913	7,426	3,713,000	26,153,132	22,440,132	692,711
1914	8,493	4,246,500	27,512,461	23,265,961	718,761
1915	7,355	3,677,500	28,338,290	24,660,790	761,387
1916	7,954	3,977,000	29,733,119	25,756,119	795,525
1917	8,398	4,199,000	30,828,448	26,629,448	822,736
1918	8,689	4,344,500	31,701,777	27,357,277	845,392
1919	8,970	4,485,000	32,429,606	27,944,606	863,712
1920	9,067	4,433,500	33,016,935	28,483,435	880,401
1921	9,134	4,567,000	33,555,764	28,988,764	896,082
1922	9,310	4,755,000	34,061,093	29,406,093	909,062
1923	9,241	4,620,500	34,478,422	29,857,922	923,010
1924	9,321	4,660,500	34,930,251	30,269,751	935,792
1925	9,487	4,743,500	35,342,080	30,598,580	946,044
1926	9,799	4,899,500	35,670,909	30,771,409	951,511
1927	10,197	5,098,500	35,843,738	30,745,238	950,895
1928	10,611	5,305,500	35,817,567	30,512,067	943,887
1929	11,244	5,622,000	35,584,396	29,962,396	927,177
1930	11,870	5,935,000	35,034,725	29,099,725	900,815
1931	12,632	6,316,000	34,172,054	27,856,054	862,704
1932	13,515	6,757,500	32,928,383	26,170,883	811,011
1933	14,181	7,090,500	31,243,212	24,152,712	748,920
1934	14,810	7,405,000	29,225,041	21,820,041	677,068
1935	15,352	7,676,000	26,892,370	19,216,370	596,792
		132,953,500	853,103,485	720,149,985	a 22,243,914
Saving of 0.0577 per cent of $132,953,500, being difference between 9 years and 8.483 years in survivors		7,671,408			
		125,282,092			

a Interest reckoned on even thousands of balances.

$853,103,485—$720,149,985=$132,953,500.

Fund collected in thirty years	$152,169,870
Interest	22,243,914
Total	174,413,784
Amount to pay in thirty years	125,282,092
Excess	49,131,692

G.

Amounts paid for salaries of employees in the classified service in the United States.

Civil Service Commission	$221,250.00
Government Printing Office	4,294,707.80
Smithsonian Institution	208,403.07
Department of Agriculture	3,868,406.58
Department of the Interior	5,102,624.00
Department of Justice	154,760.00
Department of Navy	2,795,023.04
Department of State	149,920.00
Department of Commerce and Labor	5,717,570.35
Department of War	11,385,379.00
Department of Treasury	17,560,395.00
Department of Post-Office	82,289,925.00
Interstate Commerce Commission	165,000.00
Total	133,913,363.84
Director of Census reports	114,025,497.00
Difference	19,887,866.84

H.

DEPARTMENT OF COMMERCE AND LABOR,
BUREAU OF THE CENSUS,
Washington, December 20, 1905.

DEAR SIR: In deference to the request of the United States Civil Service Retirement Association, I have had the statistics for the 50,047 civil-service employees shown in Census Bulletin No. 12 as receiving less than $720 per annum segregated so as to eliminate 5,958 of them which received less than $100 per year and tabulated the remainder according to the amount of salary that each received. The totals for all classes of employees included in this group, whether employed in the District of Columbia or elsewhere, are summarized in the following statement:

Receiving $100 but less than $200 per annum	1,964
Receiving $200 but less than $300 per annum	1,686
Receiving $300 but less than $400 per annum	2,372
Receiving $400 but less than $500 per annum	3,101
Receiving $500 but less than $600 per annum	2,916
Receiving $600 but less than $700 per annum	28,936
Receiving $700 but less than $720 per annum	3,114
Total	44,089

The Bureau of the Census has refrained from calculating the total amount paid annually to the civil-service employees, because it was believed the information in the possession of the Office was not sufficiently accurate to justify such a computation, but, in compliance with your request, the computation has been made, and the results are furnished in the following statement:

In the District of Columbia.			Elsewhere.		
Number of employees.	Estimated average salary.	Total amount paid.	Number of employees.	Estimated average salary.	Total amount paid.
5,643	$533	$3,007,719	38,446	$533	$20,491,718
2,033	720	1,463,760	11,017	720	7,932,240
491	840	412,440	8,438	840	7,087,920
1,742	900	1,567,800	8,849	900	7,964,100
2,131	1,000	2,131,000	20,780	1,000	20,780,000
5,104	1,200	6,124,800	8,199	1,200	9,838,800
2,471	1,400	3,459,400	5,186	1,400	7,260,400
1,194	1,600	1,910,400	1,150	1,600	1,840,000
1,020	1,800	1,836,000	1,025	1,800	1,845,000
767	2,000	1,534,000	984	2,000	1,968,000
538	2,500	1,345,000	890	2,500	2,225,000
23,134	1,071.68	24,792,319	104,964	850.13	89,233,178

Total number of employees	128,098
Total amount paid	$114,025,497.00
Estimated average salary	$890.14

The total amount paid in salaries to the employees of the executive civil service was calculated by multiplying the number of employees in each group by the estimated average salary.

In computing the total salaries separately for the employees in the District of Columbia it was found that by taking for the average salary the minimum rate of all groups, except the group of employees receiving less than $720, a total amount was obtained approximately the same as that given in the Official Register for 1903, and the same rates were therefore used for employees elsewhere than in the District of Columbia.

By the segregation in $100 groups of the employees receiving less than $720 it was found that the average salary less than $720 is about $533. This average salary was therefore used for the less than $720 group in calculating the total salaries.

In making the calculation no account was taken of the employees receiving less than $100; those whose salaries were not reported or who received no compensation, pieceworkers, and 613 special agents paid on a per diem basis, who received compensation only for such time as they were actually employed.

By this estimate it appears that the annual salaries of the employees in the District of Columbia approximated $24,792,319, and of the employees engaged elsewhere than in the District, $89,233,178, making a total of $114,025,497.

Very respectfully,

S. N. D. NORTH, *Director.*

MR. WALLACE W. HITE,
Patent Office, Washington, D. C.

APPENDIX H.

A BILL SUGGESTED BY MAJ. FRED BRACKETT, FOR THE RETIREMENT OF EMPLOYEES IN THE CLASSIFIED CIVIL SERVICE OF THE GOVERNMENT.

A bill, suggested by Maj. Fred Brackett, for the retirement of employees in the classified civil service of the Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there be and hereby is appropriated, out of any money in the Treasury not otherwise appropriated, a sum of money equal to three per centum of the total annual expenditure for pay and compensation of all employees in the classified service on July first, eighteen hundred and , and every day thereafter; said sum or sums to constitute a permanent appropriation and the proper proportion thereof to be deposited with the Treasurer of the United States to the credit of the retirement fund on the day following each semimonthly or other regular pay day as the case may be.

SEC. 2. From and after July first, nineteen hundred and , the pay of all employees in the classified service who may receive original appointments and enter the service shall be reduced for the first three months of service in an amount equal to one-twelfth of the annual pay or compensation provided by law for permanent employees of like grade, and an amount equal to the total amount of said reductions is hereby appropriated out of any money in the Treasury not otherwise appropriated, shall constitute a permanent appropriation, and shall be deposited at the expiration of such three months in each case of reduction, with the Treasurer of the United States to the credit of the retirement fund.

SEC. 3. From and after July first, nineteen hundred and , the increased pay, otherwise provided, of each employee in the classified service, who may be promoted, shall not take effect until the expiration of three months after the date of such promotion, and a sum equal to the total amount of pay so withheld from the pay or compensation otherwise due in each case of promotion is hereby appropriated out of any money in the Treasury not otherwise appropriated, shall constitute a permanent appropriation, and shall be deposited at the end of the period designated in each case with the Treasurer of the United States to the credit of the retirement fund.

SEC. 4. Every employee in the classified service of the United States when seventy years of age, or when sixty-five years of age and having served twenty years or more, shall be retired, and shall receive from the United States during the remainder of his life an annual salary equal to ten-sixtieths of his average annual salary, pay, or compensation, during the entire period of service, whether as a classified or unclassified employee, in one or more branches or independent offices of the Government or Departments of the Government, and shall include periods of service at different times, and in addition thereto a sum equal to one-sixtieth of such average salary for every year that he shall have been in service as stated: *Provided*, That such retired annual salary shall not exceed fifty per centum of said average salary nor twelve hundred dollars per annum.

SEC. 5. The Secretary of the Treasury shall make such rules and regulations, and is hereby authorized to perform or cause to be performed any and all acts, and employ such force, as may be necessary and proper for the purpose of carrying this act into effect.

SEC. 6. Any surplus accruing in the retirement fund may, in the discretion of the Secretary of the Treasury, be invested in approved securities bearing interest at a rate not less than three per centum per annum, such interest and the principal when collected to be deposited with the Treasurer of the United States to the credit of the retirement fund.

SEC. 7. If by reason of the efficiency of an employee who has reached the retirement age, and is willing to remain in the service, his continuance therein would be, in the opinion of the head of the Department or proper appointing officer, advantageous to the public service, such employee may be retained for a term not exceeding two years; and at the end of the two years, he may, by similar certification, be continued for an additional term of two years, and so on, and in the absence of such certification the employee shall be placed upon the retired list.

SEC. 8. For the purpose of paying for clerical and other work and expenses necessary in carrying out the provisions of this act during the fiscal year 19—, including salaries and rent in the city of Washington, there is hereby appropriated the sum of fifty thousand dollars out of any money in the Treasury not otherwise appropriated, and for all payments to retired employees authorized by this act the necessary moneys are hereby appropriated, to be paid from the retirement fund.

APPENDIX I.

COMPUTATION OF MAJ. FRED BRACKETT, BASED ON 149,333 CLERKS AND EMPLOYEES, CLASSIFIED AND UNCLASSIFIED, SHOWING RESULT OF 3 PER CENT ASSESSMENT ON SALARIES.

One-twelfth ($\frac{1}{12}$) deduction from annual salaries in all cases of original appointments for first year; 25 per cent deduction for one year from increase of salary in all cases of promotion.]

	Annual cost.	Available.	Annual balance.	Interest.	Assessments and collections.
1906	$1,124,500	$5,072,329	$3,947,829	$118,440	$5,072,329
1907	1,362,500	9,138,598	7,776,098	233,283	5,072,329
1908	1,639,000	13,081,710	11,442,710	343,281	5,072,329
1909	1,960,500	16,858,320	14,897,820	446,935	5,072,329
1910	2,326,000	20,417,084	18,091,084	542,733	5,072,329
1911	2,766,500	23,706,146	20,939,646	628,189	5,072,329
1912	3,246,500	26,640,164	23,393,664	701,810	5,072,329
1913	3,713,000	29,167,803	25,454,803	763,644	5,072,329
1914	4,246,500	31,290,776	27,044,276	811,328	5,072,329
1915	3,677,500	32,927,933	29,250,433	877,513	5,072,329
1916	3,977,000	35,200,275	31,223,275	936,698	5,072,329
1917	4,199,000	37,232,302	33,033,302	990,999	5,072,329
1918	4,344,500	39,096,630	34,752,130	1,042,564	5,072,329
1919	4,485,000	40,867,023	36,382,023	1,091,461	5,072,329
1920	4,433,500	42,545,813	38,112,313	1,143,369	5,072,329
1921	4,567,000	44,328,011	39,761,011	1,192,830	5,072,329
1922	4,755,000	46,026,170	41,271,170	1,238,135	5,072,329
1923	4,620,500	47,581,634	42,961,134	1,288,834	5,072,329
1924	4,660,500	49,322,297	44,661,797	1,339,854	5,072,329
1925	4,743,500	51,073,980	46,330,480	1,389,914	5,072,329
1926	4,899,500	52,792,723	47,893,223	1,436,797	5,072,329
1927	5,098,500	54,402,349	49,303,849	1,479,115	5,072,329
1928	5,305,500	55,855,293	50,549,793	1,516,494	5,072,329
1929	5,622,000	57,138,616	51,516,616	1,545,498	5,072,329
1930	5,935,000	58,134,443	52,199,443	1,565,983	5,072,329
1931	6,316,000	58,837,755	52,521,755	1,575,653	5,072,329
1932	6,757,500	59,169,737	52,412,237	1,572,367	5,072,329
1933	7,090,500	59,056,933	51,966,433	1,558,993	5,072,329
1934	7,405,000	58,597,755	51,192,755	1,535,783	5,072,329
1935	7,676,000	57,800,867	50,124,867		5,072,329
1936, July 1			(51,628,613)	(1,503,746)	

APPENDIX J.

[Compilation by Maj. Fred Brackett.]

Total number of employees, classified and unclassified, as shown by reports of Civil Service Commission.

	Report.				
	1903	1904 (p. 338).	1905 (p. 253).	1906 (pp. 169–172).	1907 (p. 5).
Classified	[a] 135,453	[b] 154,093	[c] 171,807	[d] 184,178	196,918
Excepted, noncompetitive, and unclassified	129,512	[e] 130,562	[f] 125,575	134,831	140,082
Total	264,965	284,655	293,382	319,009	337,000

[a] Includes 15,941 rural free-delivery employees; without rural free-delivery employees aggregates 119,512.
[b] Includes 24,566 rural free-delivery employees; without rural free-delivery employees aggregates 129,527.
[c] Given in 1906 report, p. 170, as 174,350; includes 32,055 rural free-delivery employees; without rural free-delivery employees aggregates 139,752.
[d] Includes 35,738 rural free-delivery employees; without rural free-delivery employees aggregates 148,440.
[e] Given in 1905 report, p. 252, as 121,253.
[f] Given in 1906 report, pp. 170–172, as 121,472.

Annual changes in entire service.

IN CLASSIFIED SERVICE.

	Report.				
	1903 (p. 269).	1904 (p. 329).	1905 (p. 248).	1906 (p. 168).	1907 c (mem.).
Removed	1,572	1,662	2,505	3,603	3,344
Resigned	5,017	6,196	9,756	13,934	15,289
Died	846	872	1,079	1,084	1,254
Total	7,435	8,730	13,340	18,621	19,887

IN EXCEPTED, NONCOMPETITIVE, AND UNCLASSIFIED POSITIONS.

	1903	1904	1905	1906	1907
Removed	1,046	1,770	1,901	2,903	8,454
Resigned	1,684	2,249	2,192	4,046	
Died	92	169	120	203	
Total	2,822	4,188	4,213	7,152	8,454
Status changed		1	2,399	491	

Appointments in entire service.

	Report.				
	1903 (p. 268).	1904 (p. 328).	1905 (p. 247).	1906 (p. 168).	1907 c (mem.).
Competitive	28,035	66,592	59,179	56,601	69,525
Excepted and noncompetitive	2,143	2,973	3,693	8,048	6,036
Unclassified	3,088	2,254	1,877	2,292	4,142
Total	a 33,266	b 71,819	64,749	66,941	79,703

a Error in footing of report of 100. b Error in footing of report of 1,000.

Total separations and changes in entire service.

	Report.				
	1903 (p. 269).	1904 (p. 329).	1905 (p. 248).	1906 (pp. 168-69).	1907 c (mem.).
Competitive	19,794	31,221	31,697	36,326	45,382
Excepted and noncompetitive	a b 2,822	b 4,189	3,468	5,298	5,373
Unclassified			3,145	2,345	3,141
Total	a 22,616	35,410	38,310	43,969	53,896

a Error in footing of report of 320. b Includes unclassified employees. c Memoranda, not yet in annual report.

The total appointments made in 1903 are given on page 268 of report as 33,266 (on page 23 as 39,646 and on page 279 as 40,270), while the total of separations is given on page 269 as 22,616, the difference of 10,650 probably being additions to the service authorized by law.

The total appointments made in 1904 are given on page 328 of report as 71,819, while the total separations are given on page 329 as 35,410, the difference of 36,409 being made up of—

Navy Department, in navy-yards	16,664
Other Departments and offices	19,745

There were 19,690 employees added to the service in 1904, but I do not understand why 16,664 appointments in navy-yards are charged when as a matter of fact they were not made.

The total appointments in 1905 are given on page 247 as 64,749, while the separations from service are given as 38,310, the difference being 26,439. The increase in employees over 1904 is 8,727, thus leaving 17,712 to be accounted for.

On pages 252–253 separations are given as 44,943, a difference of 6,633 from statement on page 248. Appointments are given on page 247 as 64,749 and on pages 252–253 as 62,997, a difference of 1,772.

Ten thousand nine hundred and fifty-six appointments in navy-yards are charged on page 247, and none on page 253.

The total appointments in 1906 are given on pages 168–169 as 66,941, and the total separations as 43,969, a difference of 22,972. The increase in employees over 1905 is shown on page 172 as 25,627, which more (2,655) than accounts for the said difference.

The total appointments in 1907 are given in a statement received from office of the Civil Service Commission as 79,703 and the separations as 53,896, a difference of 25,807. The increase in employees over 1906 is 17,991. I am unable to say what the difference of 7,816 (between 25,807 and 17,991) represents.

APPOINTMENTS IN NAVY-YARDS.

In report for 1903 (see footnote, p. 279) it is stated that 14,080 appointments were made in navy-yards, and are included in the total of 40,270 appointments for the year.

In report for 1904, page 328, it is stated that 16,664 appointments were made in navy-yards in 1904, and they are treated as part of the total of 71,819 appointments charged to the year. On page 338 no appointments are charged, and the number of workmen and mechanics in service June 30, 1903, and June 30, 1904, are said to be the same, i. e., 15,885.

In report for 1905, page 247, there are 10,956 appointments charged as part of the total of 64,749 appointments made during the year. On page 252 the total mechanics and workmen in service June 30, 1904, is given as 18,585 (300 less than 1904 report gives) and the same number on June 30, 1905, indicating no changes for the year 1905.

In report for 1906, page 168, there are 10,495 appointments charged to navy-yards as a part of the total of 66,941 made during the year. On page 170 the total number of competitives in service is given as 18,585 with no change for the year.

Unclassified noncompetitive and excepted employees in navy-yards are given as 2,538 from 1903 to 1906, both inclusive.

RÉSUMÉ.

1903, page 268, no appointments; on page 279 there are 14,080 charged.
1904, page 328, 16,664 appointments; on page 338, no appointments.
1905, page 247, 10,956 appointments; on page 252, no appointments.
1906, page 168, 10,495 appointments; on page 170, no appointments.

It will be observed that the total of appointments in the navy-yards (competitive class) charged, as made in 1904, 1905, and 1906, aggregates 38,115, adding the 14,080 named in 1903, and we have a grand total of 52,195. What separations may have been made I do not know, but the largest number (competitive) reported as in service for any of the years named is 18,885. Various tables in reports of the Civil Service Commission show the following differences in—

Appointments.

	Competitive.	Difference.	Noncompetitive, etc.	Difference.
1903 (p. 268)	28,035	12,235	5,231	
1903 (p. 277)	40,270			
1904 (p. 328)	66,592		5,227	11
1904 (p. 339)	49,898	16,694	5,238	
1905 (p. 247)	59,179		5,570	
1905 (p. 253)	49,411	9,768	13,566	7,996
1906 (p. 168)	56,601		10,340	
1906 (p. 170)	46,158	10,543	21,002	10,662

Undoubtedly, these differences in the record of appointments are partly due to the improper entries connected with navy-yard employees, and the matter can only be explained by the Commission.

Very respectfully,

FRED BRACKETT.

APPENDIX K.

[The Washington Post, March 19, 1906.]

SYSTEMS OF RETIREMENT OF VARIOUS GOVERNMENTS AND CORPORATIONS.

The subject of superannuation of employees in the civil service of the Government is now receiving a large amount of attention.

Something of the extent of the various methods now followed by governments and corporations in caring for employees, who by many years of active, earnest work, and devotion to duty have earned the right to assistance when they are disabled by age or accident and no longer able to earn a living, may be interesting.

All the great nations except the United States have provided for retirement of employees under various conditions, with pay, as shown by subjoined tables. The officers of the Grand Trunk Railway of Canada say, in part, as to the effects of a retirement scheme put in operation by that company thirty-two years ago:

"It has been stated that the existence of a pension acts as a detriment to efficient service, owing to the tendency on the part of an employee approaching the retirement age to become lax in the performance of duty in consequence of the knowledge that he will soon be able to leave the service and draw a pension. The experience of this company has demonstrated that such reasoning is entirely fallacious.

Every company and corporation having a retirement pension system in operation regards it as a good business investment, without considering the humanitarian principle involved. Many say that the plan results in creating among the employees a feeling of permanency in their employment, enlarges their interest in their employers' affairs, and induces them to remain in and devote their best efforts and attention to their employers' service.

France has had a system in operation for over fifty years and has granted pensions far beyond anything of the kind ever proposed in this country, contributing large sums annually out of the public funds to sustain the system, which includes the consular and diplomatic service.

The following table gives a synopsis of systems established and in operation:

	Age for retirement.	Compulsory or non-compulsory.	Service in years required.	Age. Physical or mental disability.	Age. Result of accident while on duty.	Age. Caused by act of valor.	Per cent of assessment.	Appropriated by Government.	Amount of pension.	Basis of pension.	Maximum of pension of average salary.	Widow's pension if marriage antedates retirement.	Amount of widows' pensions.	Orphans' and minors' pensions.
Country.														
Germany	65	Both	10	O.	O.	O.	3. Q.		$\frac{15}{60}$ (R.)	S. or D.	$\frac{3}{4}$ O.	3 months	$\frac{1}{3}$ P.	$\frac{1}{15}$
France	60 55	N. C.	30 25	O.	O.	O.	5	All	$\frac{1}{60}$ (a) $\frac{1}{2}$ (b)	S. and D.	$\frac{3}{4}$	5 years.	$\frac{1}{3}$	Special.
Austria	70		40	10			3	Balance	40 per cent 10 years Full pay 40 years	10 years. 40 years.		O.	$\frac{1}{2}$ (d)	Special.
Great Britain	60 65	N. C.; C.	10	O.			O.	All	$\frac{1}{60}$ for each year	S. and D.	$\frac{2}{3}$			
Italy	65		40 or 25	25	O.				Fixed by court	S. and D.			Special.	Special.
Russia			12 35 (e)				O.	All	$\frac{1}{6}$ $\frac{1}{3}$ (e)	S. and D.				
Canada	60						5		Amount paid in with 4 per cent compound interest.					
Belgium	65 67	N. C.; C.					Assessment and appropriation.		$\frac{1}{60}$ of average pay per year.	S. and D.				
Portugal	0 60				10		4 to 5 and appropriation		50 per cent (g)	S. and D.				
Corporations.														
Pennsylvania Railroad Co.	70	C.						All	1 per cent (k)					
First National Bank, Chicago.	65 to 69		30	65 to 69			3		$\frac{1}{50}$ (l)					
National Bank, St. Joseph									50 per cent.					
Midvale Steel Co.			O.		O.				100 per cent.					
Grand Trunk Rwy.	55						2½	2½						
SouthwarkNationalBank	Merit.		O.		O.									

O—Means three-fourths of average salary.
P—One-third of deceased husband's pension and one month's salary.
Q—On married employees for benefit of widows and minor children.
R—Fifteen-sixtieths of last active salary and one-sixtieth for each year's service.
S—Service.

D—Disability.
A—9,500,000 in 1900. (a) one sixtieth of average salary in sedentary branches; (b) one-half of average salary plus one-fiftieth for each year's service over twenty-five; (d) determined by rank of husband—from $1,200 to $160; (e) if able to work after thirty-five year's service, gets both salary and pension; (g) full pay after thirty year's service; (k) 1 per cent for each year of service on average monthly pay; (l) for each year's service.

Among the corporations paying the entire cost of pensions are the following:
Canadian Pacific Railroad.
Pennsylvania Railroad.
Pennsylvania Railroad Lines west of Pittsburg.
*New York Central and Hudson River Railroad.
*Boston and Albany Railroad.
Baltimore and Ohio Railroad.
Illinois Central Railroad.
Boston and Maine Railroad.
Southern Pacific Railroad.
Delaware, Lackawanna and Western Railroad.
Philadelphia and Reading Railroad.
Midvale Steel Company.
*Cumberland Valley Railroad.
San Antonio and Aransas Pass Railroad.
*Champlain Transportation Company.
Metropolitan Street Railroad.
Oregon Railroad and Navigation Company.
Boston Elevated Railroad.
Fourth Street National Bank, Philadelphia, Pa.
*Southwark National Bank, Philadelphia, Pa.
*First National Bank, Pittsburg, Pa.
*Girard National Bank, Philadelphia, Pa.
*Bank of New York National Banking Association.
*Merchants' National Bank, Baltimore, Md.
Old Dominion Steamship Company.

In corporations preceded by mark "*" retirements in each case are treated upon merits. As a general rule, retirements are compulsory at the age of seventy, while voluntary retirements are permitted from ages fifty-five to seventy.

The Brownlow bill, lately introduced in Congress, provides for retirement of employees in the classified service at various ages under certain conditions, with a pension after retirement equal to 50 per cent of the average salary paid them while in active service. Said bill provides a method for creating a sufficient fund for the payment of pensions by assessments on salaries, promotions, and original appointments.

APPENDIX L.

FINANCE DEPARTMENT,
Ottawa, Canada, April 2, 1908.

WILLIAM H. DEARDEN, Esq.,
Clerk of Committee on Reform in the Civil Service,
House of Representatives, Washington, D. C.

DEAR SIR: I beg to acknowledge the receipt of your letter of the 27th ultimo, requesting certain information in connection with the Canadian system of retirement.

With regard to the expense of administration of the retirement fund, no definite account is kept of such expense. The matter is comparatively unimportant, and the business is conducted simply as part of the routine business of this and other departments. The number of separate accounts on the books of the fund on the 1st of April, 1907, was 2,768.

I trust this information will suit your requirements. If there are any further points which you desire to have elucidated, I shall be happy to do my best to oblige you.

Yours, truly,

H. BOVILLE,
Deputy Minister of Finance.

APPENDIX M.

STATISTICS OF EMPLOYEES, EXECUTIVE CIVIL SERVICE OF THE UNITED STATES: 1907.

[Outline of contents of Census Bulletin 94.]

The employees in the executive civil service are the subjects of a statistical inquiry which has just been completed by the Bureau of the Census. The results of this inquiry are published in Census Bulletin 94, which was prepared by Lewis Meriam, acting chief of the division of revision and results.

On July 1, 1907, according to this bulletin, the total number of employees in the executive civil service, exclusive of persons in the consular and diplomatic service, was 286,902; and of this number 29,103—practically one-tenth—were employed at the national capital.

SCOPE OF BULLETIN.

In the detailed statistical tables it was considered impracticable to include all these employees; in a few cases because the returns were too incomplete, but more often because certain classes are so peculiar in respect to the way they are appointed, or the basis on which they are paid, that their inclusion would have impaired the value of the statistics for the remaining classes. The most important classes omitted for this latter reason include 62,663 postmasters, 18,376 mechanics and laborers in navy-yards and naval stations, 12,850 clerks in post-offices not having free delivery, and 1,031 occasional employees of the Weather Bureau. Data for 4,584 employees of the Isthmian Canal Commission employed on the Isthmus were too incomplete to be included. As the net result of all omissions, the total number of persons treated by the Bureau of the Census as employees in the executive civil service is 185,874.

OVER 6,500 GOVERNMENT EMPLOYEES AT LEAST 65 YEARS OF AGE.

One of the most interesting questions considered in the bulletin is that of the age of the employees. One-half of them are under 36.5 years of age. In the District the median age is slightly higher, being 38.8 years, while elsewhere it is but 36.2.

The advanced age periods are, however, more interesting than the medians. The figures show that the Government employs in the civil service 4,364 persons from 65 to 69 years of age; 1,557 from 70 to 74 years; 465 from 75 to 79 years; and 137 at least 80 years of age. These figures give a total of 6,523 employees in the executive civil service who are 65 years of age or over. Of this number, 1,852 are employed in the District of Columbia and 4,671 elsewhere. Although less numerous in the District than elsewhere, employees of advanced age form a much larger proportion of the force in the District than they do of the force elsewhere. In the District practically 1 Government employee in 14 is at least 65 years of age, while elsewhere the corresponding figures are but about 1 in 34.

In an effort to determine whether these figures represent any special tendency for Government employees to remain in service after persons in other walks of life would have retired, the Census bulletin compares the ages of the Government employees with the ages of all breadwinners at the census of 1900, and reaches the conclusion that the tendency to remain in the Government service after reaching advanced age is not unusual, except, perhaps, among the male employees in the District of Columbia.

CIVIL-SERVICE RULES NOW PREVAIL.

Of the employees considered in this bulletin 164,051, or about 9 out of 10, are in the classified service, and most of the employees, about two-thirds of the total number, secured their present positions through open competitive examination. This is, in fact, practically the only way in which a person seeking Government employment can now enter the classified service. The two exceptions to the fundamental rule requiring a competitive examination are both unimportant, as only 2,573, or 1.4 per cent of the total number of employees, were reported as securing their present status by "noncompetitive examination" or by "preference." Persons who secured positions in the classified service through "classification and extension"—that is, survivors from a former system of appointment—form less than a fifth of the total number of employees. Thus the figures indicate that the geater part of the Government employees hold office by virtue of the new system instituted by the civil-service act of 1883.

TWO-THIRDS DO CLERICAL WORK.

In respect to the character of their work, the bulletin divides the employees into six main classes, as follows: Clerical, 122,636; subclerical and manual labor, 37,097; professional, technical, and scientific, 9,745; executive, 2,157; and miscellaneous, 5,643. Practically two-thirds of the Government employees are thus engaged in clerical work. The next largest class is formed by those whose work is subclerical and manual. These two classes together include 86 per cent of all the employees. None of the remaining classes is large, the percentage they constitute of the total varying from 1.2 for the executive, the smallest class, to 5.2 for the professional, technical, and scientific.

The median ages of the employees in these occupation classes are as follows: Clerical, 35.5; professional, technical, and scientific, 36.8; subclerical and manual labor, 37.7; mechanical, 39.4; miscellaneous, 43.7; and executive, 49.1. The youngest class

is thus the clerical, the oldest the executive; and the difference between the median ages of the two is no less than thirteen and six-tenth years.

HALF HAVE SERVED LESS THAN FIVE YEARS.

The figures for length of service show that almost one-half (48.2 per cent) of the employees have worked for the Government less than five years. In each successive five-year period of service the number of employees grows smaller. There are 1,052 employees, or 6 out of every 1,000, who have been in Government employ more than forty years. A constant decrease of numbers as the period of service increases is the inevitable result of resignations, removals, and deaths. At the same time the growth of Government work also tends to increase the proportions in the shorter periods, since the creation of new positions, necessary as the work of the Government expands, generally results, directly or indirectly, in the appointment of persons who have never before been in the service.

MANY OF ADVANCED AGE WHEN APPOINTED.

Length of service is of course intimately connected with age. No young man can have served a long period. An old man, however, may have served a short period, and it is this fact which makes particularly interesting the table in the census bulletin, which classifies the employees by age and length of service. This table shows that at least 1,129 employees must have been appointed after reaching the age of 60 and that the actual number appointed after reaching that age is probably considerably larger. Although the proportion formed by persons of advanced age is greater in the District than it is elsewhere, this does not appear to indicate a greater tendency in the District toward the appointment of elderly people.

APPROXIMATE AVERAGE COMPENSATION.

In the District of Columbia the approximate average compensation for men is $1,178 and for women $837; elsewhere it is $935 for men and $766 for women. That the women are paid at a lower rate than the men does not indicate that women receive less than men for the same class of work, but reflects the fact that a far larger percentage of women than of men are engaged in subclerical work or manual labor.

The approximate average rates of compensation for different classes of employees are as follows: Executive, $1,983; professional, technical, and scientific, $1,375; miscellaneous, $1,221; mechanical, $959; clerical, $953; and subclerical and manual labor, $711. In the clerical class, it is interesting to note, the approximate average compensation for women ($950) is practically the same as that for men ($953).

COMPENSATION INCREASES WITH AGE.

Among the employees engaged in each class of work a general tendency is apparent toward an increase in average compensation as age advances, though this increase is not always uninterrupted; and similarly there is almost uniformly a consistent increase in compensation as the length of service increases. The clerical class is a particularly good illustration of the latter tendency, since the average rate of compensation for that class, beginning at $757 for those who have been in the service less than one year, increases in each successive period without a single interruption until for those who have served forty years and over it is $1,450, an increase of $693.

POST-OFFICE LEADS THE DEPARTMENTS.

Of the employees considered in this bulletin more than one-half (106,811) are in the Post-Office Department. The great importance of this Department is of course due to the enormous number of persons required to handle the mail of the country. The figures include 37,389 rural delivery carriers, 28,846 clerks in classified offices, 24,696 letter carriers, and 13,892 railway mail clerks. It should be recalled, moreover, that 62,663 postmasters and 12,850 clerks are not included in the figures. If these are added, it will be found that the total number engaged in handling the mail of the country is 180,336. In marked contrast to this army of employees is the administrative force in the Post-Office Department at Washington, which consists of 1,988 persons.

WAR VETERANS IN SERVICE.

In answer to the inquiry concerning war service, 15,207 employees, 8.2 per cent of the total number, reported that they were war veterans. Of these veterans 8,464 had served in the civil war and 6,743 in the war with Spain.

The total number of employees at least 60 years of age is 13,363, and of this number 7,768, or 58.1 per cent, are war veterans. Roughly speaking, therefore, among every 10 employees at least 60 years of age 6 are war veterans.

In addition to the figures for the employees above considered the bulletin also shows separately certain statistics for the postmasters, classifying them by sex, age, period of service, and compensation. It also contains several diagrams illustrating the distribution of the employees by sex, age, marital condition, character of appointment, and other details.

APPENDIX N.

TABLES REFERRED TO IN TESTIMONY, APRIL 13.

Amount to which a deposit of 1 per cent of a monthly salary of $100, first payment immediate, will accumulate at 4 per cent per annum compound interest at the end of a given term of years.

Term of years.	Amount of accumulation.	Term of years.	Amount of accumulation.	Term of years.	Amount of accumulation.	Term of years.	Amount of accumulation.	Term of years.	Amount of accumulation.
1	$12.26	13	$203.82	25	$510.52	37	$1,001.55	47	$1,629.72
2	25.01	14	224.23	26	543.20	38	1,053.87	48	1,707.16
3	38.27	15	245.46	27	577.18	39	1,108.28	49	1,787.71
4	52.06	16	267.54	28	612.53	40	1,164.87	50	1,871.48
5	66.40	17	290.50	29	649.29	41	1,223.73	51	1,958.59
6	81.31	18	314.38	30	687.52	42	1,284.94	52	2,049.20
7	96.82	19	339.21	31	727.28	43	1,348.59	53	2,143.42
8	112.95	20	365.04	32	768.63	44	1,414.79	54	2,241.42
9	129.73	21	391.90	33	811.63	45	1,483.64	55	2,343.33
10	147.18	22	419.83	34	856.36	46	1,555.25	56	2,449.33
11	165.32	23	448.88	35	902.87				
12	184.19	24	479.10	36	951.24				

American table of mortality.

Age.	Number living.	Number deaths each year.	Death-rate per 1,000 each year.	Expectation of life.	Age.	Number living.	Number deaths each year.	Death-rate per 1,000 each year.	Expectation of life.
10	100,000	749	7.49	48.72	53	66,797	1,091	16.33	18.79
11	99,251	746	7.52	48.08	54	65,706	1,143	17.40	18.09
12	98,505	743	7.54	47.45	55	64,563	1,199	18.57	17.40
13	97,762	740	7.57	46.80	56	63,364	1,260	19.88	16.72
14	97,022	737	7.60	46.16	57	62,104	1,325	21.33	16.05
15	96,285	735	7.63	45.50	58	60,779	1,394	22.94	15.39
16	95,550	732	7.66	44.85	59	59,385	1,468	24.72	14.74
17	94,818	729	7.69	44.19	60	57,917	1,546	26.69	14.10
18	94,089	727	7.73	43.53	61	56,371	1,628	28.88	13.47
19	93,362	725	7.76	42.87	62	54,743	1,713	31.29	12.86
20	92,637	723	7.80	42.20	63	53,030	1,800	33.94	12.26
21	91,914	722	7.85	41.53	64	51,230	1,889	36.87	11.67
22	91,192	721	7.91	40.85	65	49,341	1,980	40.13	11.10
23	90,471	720	7.96	40.17	66	47,361	2,070	43.71	10.54
24	89,751	719	8.01	39.49	67	45,291	2,158	47.65	10.00
25	89,032	718	8.06	38.81	68	43,133	2,243	52.00	9.47
26	88,314	718	8.13	38.12	69	40,890	2,321	56.76	8.97
27	87,596	718	8.20	37.43	70	38,569	2,391	61.99	8.48
28	86,878	718	8.26	36.73	71	36,178	2,448	67.66	8.00
29	86,160	719	8.34	36.03	72	33,730	2,487	73.73	7.55
30	85,441	720	8.43	35.33	73	31,243	2,505	80.18	7.11
31	84,721	721	8.51	34.63	74	28,738	2,501	87.03	6.68
32	84,000	723	8.61	33.92	75	26,237	2,476	94.37	6.27
33	83,277	726	8.72	33.21	76	23,761	2,431	102.31	5.88
34	82,551	729	8.83	32.50	77	21,330	2,369	111.06	5.49
35	81,822	732	8.95	31.78	78	18,961	2,291	120.83	5.11
36	81,090	737	9.09	31.07	79	16,670	2,196	131.73	4.74
37	80,353	742	9.23	30.35	80	14,474	2,091	144.47	4.39
38	79,611	749	9.41	29.62	81	12,383	1,964	158.60	4.05
39	78,862	756	9.59	28.90	82	10,419	1,816	174.30	3.71
40	78,106	765	9.79	28.18	83	8,603	1,648	191.56	3.39
41	77,341	774	10.01	27.45	84	6,955	1,470	211.36	3.08
42	76,567	785	10.25	26.72	85	5,485	1,292	235.55	2.77
43	75,782	797	10.52	26.00	86	4,193	1,114	265.68	2.47
44	74,985	812	10.83	25.27	87	3,079	933	303.02	2.18
45	74,173	828	11.16	24.54	88	2,146	744	346.69	1.91
46	73,345	848	11.56	23.81	89	1,402	555	395.86	1.66
47	72,497	870	12.00	23.08	90	847	385	454.54	1.42
48	71,627	896	12.51	22.36	91	462	246	532.47	1.19
49	70,731	927	13.11	21.63	92	216	137	634.26	.98
50	69,804	962	13.78	20.91	93	79	58	734.18	.80
51	68,842	1,001	14.54	20.20	94	21	18	857.14	.64
52	67,841	1,044	15.39	19.49	95	3	3	1,000.00	.50

Amount of annual income certain, first payment immediate, which can be obtained by a deposit of $1,000.

[Any number of annual instalments may be selected from 5 to 30. Interest at 3½ per cent compounded annually.]

Number of annual incomes.	Amount of each annual income per $1,000.	Total amount payable in annual incomes.	Number of annual incomes.	Amount of each annual income per $1,000.	Total amount payable in annual incomes.
5	$214	$1,070	18	$73	$1,314
6	181	1,086	19	70	1,330
7	158	1,106	20	68	1,360
8	140	1,120	21	65	1,365
9	127	1,143	22	63	1,386
10	116	1,160	23	61	1,403
11	107	1,177	24	60	1,440
12	100	1,200	25	58	1,450
13	94	1,222	26	57	1,482
14	88	1,232	27	55	1,485
15	84	1,260	28	54	1,512
16	80	1,280	29	53	1,537
17	76	1,292	30	52	1,560

APPENDIX O.

Report of Actuary B. D. Flynn on the actuarial aspect of the retirement plan, with accompanying letter.

HARTFORD, CONN., *January 17, 1907.*

Mr. H. D. BROWN, *Cincinnati, Ohio.*

MY DEAR MR. BROWN: Inclosed you will please find report upon the mathematical work in connection with the proposed civil-service superannuation scheme. You will notice that Table I can be used for any salary and for increases. If the plan goes into effect, however, similar tables can be drawn for various salaries and percentages, and increase of salaries.

The amounts given in Table IV, you will notice, are somewhat smaller than those which I quoted to you in Washington. The reason for this is that we have used the table of $1 \times + \frac{1}{2}$, which is practically correct.

The appropriations given for 1907 are, of course, with the understanding that employees who are retired this year who are over 70 years, also those who have attained the age of 70 since the beginning of the year, shall receive back payments for 1907.

The total appropriations ran down to small amounts in the last years. I have therefore cut off all appropriations up to $100 in order not to have the tables appear ridiculous.

Some of the arithmometers have not worked well, so that those that were in commission were worked practically all the time, mornings, noon times, and nights. The additional tables wanted have increased this last stage of the work three or four times over our original estimate, so that the appropriation has been just about used up. I have not figured out the hours accurately yet, but I think there will be a small margin on the right side.

With best wishes for your success, I am,

Sincerely, yours,

B. D. FLYNN.

REPORT TO THE KEEP COMMISSION UPON PROJECT FOR SUPERANNUATION PROVISION FOR UNITED STATES CIVIL-SERVICE EMPLOYEES.

The plan is best considered in two parts, which, stated briefly, are as follows:

Part I, a systematic saving of a part of the salary of each employee to provide for himself in old age or in event of physical incapacity prior to that time; and

Part II, the payment of an annuity by the Federal Government to all persons in its classified civil service employ July 1, 1903, upon retirement at age of 70.

PART I.

A certain percentage of the monthly wage of each person in the classified branch of the civil service shall be withheld and deposited in the United States Treasury, at 4 per

cent compound interest per annum, in the name of and to the credit of the employee. Upon absolute retirement from the service, and only in such event, the employee shall have the privilege of withdrawing his accumulated savings in one sum, or if the amount of the funds to his credit be at least $1,000 he shall have the option of using his savings to provide an annuity at his attained age. In case of the death of an employee while in the service the amount to his credit shall be paid to his estate.

Upon retirement at the age of 70 the employee may withdraw his savings in one sum or choose one of the following methods of applying his funds:

Option 1. An annuity payable monthly throughout life.

Option 2. An annuity payable throughout life with the provision that in case of the death of the annuitant before he has received in annuities the amount of his deposit the balance shall be returned to his estate. (In determining the amount of annuity payments received, that part contributed by the Federal Government under Part II of the plan shall not be considered.)

Option 3. An income payable certain for a limited term of years.

Table I (See Appendix N) shows the amount to which a deposit of 1 per cent of a monthly salary of $100, first payment immediate, will accumulate at 4 per cent per annum compound interest at the end of certain terms of years. For instance, a person entering the civil service at age of 30 and contributing 1 per cent of his monthly salary of $100 will have to his credit at age of 70—forty years later—provided he remains in the service, $1,164.87. At each increase in pay the table should be entered for the amount of monthly increase for the term of years remaining before attaining the age of 70 years, and the value thus obtained added to the amount of accumulation which was being provided for under the old salary. If the amount of monthly salary be $66.67 instead of $100, the accumulation will be two-thirds of the amount given in Table I and, also, if the percentage deduction of salary determined upon be 3 per cent the accumluation will be simply three times greater than given in Table I.

The amount of deposit necessary to provide option 1—an annuity payable monthly throughout life, first payment immediate upon attaining the age of 70 years—will be for an annuity of $100 payable in monthly instalments of $8.33 each $774.17 for males and $867.87 for females.

The basis of these charges is the British office's life annuity tables with 3½ per cent interest. The selection exercised by the employee in choosing this option will be nearly, if not quite, as great as that against an insurance company by a person purchasing an annuity. The table mentioned above, which is a select table based upon the experience of practically all the British companies for the period from 1863 to 1893, has therefore been used, with, however, no loading for expense.

The amount of deposit necessary to provide option 2—an annuity of $100, first payment immediate upon attaining the age of 70 years, with provision granting return in case of death of balance of deposit not received in annuities—will be $1,025.

Because of the advanced age of the employee at retirement and the consequent weight of the insurance feature involved in this option the British office's life table (O^n), with interest at 3½ per cent, has been used in computing this charge.

Table II (see Appendix N) shows the amount of annual income certain, first payment immediate, which can be obtained by a deposit of $1,000. The values given in this table are based upon 3½ per cent compound interest.

PART II.

The computations under Part II, which follow, are based upon the following statement of this part of the plan:

The Federal Government shall provide for each employee in its classified civil service July 1, 1903, an annuity payable monthly, beginning at age 70 and continuing throughout life, provided the person is still in the service when he attains that age. The right to an annuity shall be relinquished upon withdrawal from the service before attaining the age of 70 years, and in case of the death of the employee prior to attaining the retirement age there shall be no payment by the Government to the estate of the deceased.

The amount of the annuity shall be 1 per cent of the salary which the employee was receiving July 1, 1903, for each completed year of service prior to that date. The amount of annuity payable to each employee whose salary July 1, 1903, was more than $2 500 shall be based upon an annual salary of $2 500.

Census Bulletin No. 12. "The Executive Civil Service of the United States" giving statistics as of July 1, 1903, has been used as the basis of all of the computations in this part of the plan. One hundred and three thousand and thirty employees in the classified civil service entitled to annuities were considered. 20 451 of whom were located in the District of Columbia and 82 579 elsewhere.

Employees reported as "without salary" were not included, nor were those used whose years of service were unreported. As there were but 163 members of the latter group, the average salary of whom was small and the terms of service probably short, it was not thought advisable to attempt to distribute them.

All persons listed as receiving "less than $720" were considered as receiving $600 per annum; all "$720, but less than $840," were treated as $720, and similarly the minimum salary was used in each grouping. After a careful computation of "piece-workers" and persons with salaries not reported it was decided to treat these as receiving, on an average, annual salary of $1,000.

Table III shows the method by which the data was drawn off and the percentages of salaries determined for all classified employees in the District of Columbia aged 45 years. A similar table was completed for classified employees "elsewhere" of the same age and the total amount of salaries to be used in determining the annuities for this age was obtained. These totals were then discounted to age 70 according to the probability of living based upon a mortality table and by employing the same probability the total annuity payments for each year for the remaining years of life obtained.

The mortality table selected as the basis of these computations was the American experience table of mortality. This decision was reached after consideration of the effect of the conditions involved in this part of the proposed plan upon the amounts of appropriation and of all information obtainable which would throw light upon the character of the class under observation from the standpoint of probable longevity.

Table IV gives the amounts of appropriations each year in order to provide annuity payments in accordance with Part II of the plan.

Withdrawals other than by death which take place before the retirement age is attained will tend to decrease the amount of annuity payments each year. These amounts will also be diminished because of the fact that there are many employees at the older ages who have been in the service but a short time and who are receiving small salaries who will prefer to retain their positions rather than accept an annuity which will be but a small per cent of their annual salary. For these reasons, and because of the standard of the mortality table adopted, the appropriations given in Table IV can safely be considered as the maximum amounts required.

Tables V to VII show the amounts of appropriations necessary to carry out Part II of the plan under different assumptions as to age and years of service.

Table V gives the amounts necessary to provide annuity payments in accordance with Part II, with the exception that all employees who had not completed six years of service July 1, 1903, shall not be entitled to annuity payments.

Table VI gives the amounts necessary to provide annuity payments in accordance with Part II, with the exception that the age of retirement is taken as 65 years.

Table VII gives the amounts necessary to provide annuity payments in accordance with Part II, with the exception that the age of retirement shall be 65 years and all employees who had not completed six years of service July 1, 1903, shall not be entitled to annuity payments.

In concluding, I would recommend that, in case the above outlined superannuation plan is put into effect, the record which is kept for each employee contain information which can be used in obtaining the mortality experience, the rate of withdrawal, and, if possible, a law of increase of salaries of the members of the classified civil service. Because of the large number under observation the experience could probably be safely subdivided to show the mortality of employees in the District of Columbia as distinguished from those in other parts of the country; also, the experience in certain branches of the service, such as postal railway clerks and city letter carriers, which are affected by conditions peculiar to these classes of employees. The experience thus obtained would not only prove of great statistical value, but would serve as a guide in future valuations or adjustments of the plan.

Respectfully submitted.

BENEDICT D. FLYNN, *Actuary*.
F. A. S.

HARTFORD, CONN., *January 17, 1907*.

TABLE III.—*Showing the method by which the data were drawn off and the percentages of salaries determined, District of Columbia (age 45).*

Computed years of service.	Salary.							
	$600.		$720.		$840.		$900.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
0	3	$1,800	3	$2,160				
1	2	1,200	2	1,440			1	$900
2	1	600	2	1,440	1	$840	1	900
3	1	600	4	2,880	1	840	4	3,600
4	2	1,200	1	720	2	1,680	1	900
5	3	1,800	2	1,440	1	840	1	900
6	3	1,800	1	720			1	900
7	2	1,200			3	2,520	1	900
8	1	600	3	2,160	2	1,680	3	2,700
9	4	2,400	5	3,600	2	1,680	2	1,800
10	2	1,200	2	1,440			3	2,700
11	1	600					3	2,700
12	6	3,600	1	720	1	840	2	1,800
13								
14	3	1,800	4	2,880				
15			2	1,440	1	840	2	1,800
16	2	1,200						
17	2	1,200	1	720				
18	1	600	1	720				
19			1	720			1	900
20	1	600					1	900
21	1	600	1	720				
22								
23					1	840	1	900
24	1	600	1	720			1	900
25	2	1,200					1	900
26	1	600						
27	2	1,200						
28	1	600						
29	1	600						
30								
31								
32							1	900
33	1	600						
Total	50	30,000	37	26,640	15	12,600	31	27,900

TABLE III.—*Showing the method by which the data were drawn off and the percentages of salaries determined, District of Columbia (age 45)*—Continued.

Computed years of service.	Salary.							
	$1,000.		$1,200.		$1,400.		$1,600.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
0	.....	....	2	$2,400	2	$2,800	1	$1,600
1	1	$1,000	2	2,400	1	1,400	1	1,600
2	2	2,000	12	14,400	2	2,800	1	1,600
3	7	7,000	7	8,400	2	2,800	.....	....
4	3	3,000	3	3,600	4	5,600	3	4,800
5	3	3,000	3	3,600	2	2,800	2	3,200
6	.....	....	1	1,200	1	1,400	.....	....
7	1	1,000	3	3,600	1	1,400	1	1,600
8	2	2,000	1	1,200	4	5,600	2	3,200
9	4	4,000	5	6,000	1	1,400	1	1,600
10	3	3,000	7	8,400	5	7,000	1	1,600
11	4	4,000	2	2,400	3	4,200	1	1,600
12	2	2,000	14	16,800	7	9,800	1	1,600
13	2	2,000	2	2,400	2	2,800	.....	....
14	4	4,000	4	4,800	.....	....	.....	....
15	.....	....	8	9,600	3	4,200	.....	....
16	3	3,000	3	3,600	2	2,800	2	3,200
17	2	2,000	4	4,800	2	2,800	.....	....
18	.....	....	2	2,400	6	8,400	2	3,200
19	.....	....	4	4,800	1	1,400	1	1,600
20	4	4,000	4	4,800	4	5,600	.....	....
21	1	1,000	1	1,200	2	2,800	1	1,600
22	.....	....	2	2,400	2	2,800	4	6,400
23	1	1,000	4	4,800	4	5,600	1	1,600
24	1	1,000	3	3,600	.....	....	1	1,600
25	1	1,000	3	3,600	2	2,800	2	3,200
26	1	1,000	2	2,400	.....	....	.....	....
27	.....	....	.....	....	.....	....	1	1,600
28	1	1,000	1	1,200	1	1,400	.....	....
29	1	1,000	1	1,200	.....	....	.....	....
30	1	1,000	1	1,200	.....	....	.....	....
31	.....	....	2	2,400	.....	....	.....	....
32	.....	....	.....	....	.....	....	.....	....
33	.....	....	.....	....	.....	....	.....	....
34	.....	....	.....	....	.....	....	.....	....
Total	55	55,000	113	135,600	66	92,400	30	48,000

TABLE III.—*Showing the method by which the data were drawn off and the percentages of salaries determined, District of Columbia (age 45)*—Continued.

Computed years of service.	Salary.						Total number employees.	Total amount salaries.	Per cent.	Percentage of salary.
	$1,800.		$2,000.		$2,500.					
	No.	Amount.	No.	Amount.	No.	Amount.				
1	1	1,800	2	4,000	2	5,000	16	21,560	0	0
2	1	1,800	1	2,000	1	2,500	13	16,240	1	162
3			2	4,000			24	28,580	2	572
4	1	1,800			1	2,500	28	30,420	3	913
5							19	21,500	4	860
6					1	2,500	18	20,080	5	1,004
7	1	1,800			1	2,500	9	10,320	6	619
8							12	12,220	7	855
9	1	1,800	2	4,000	1	2,500	22	27,440	8	2,195
10	1	1,800	1	2,000	1	2,500	27	28,780	9	2,590
11			2	4,000			25	29,340	10	2,934
11	1	1,800					15	17,300	11	1,903
12			2	4,000	1	2,500	37	43,660	12	5,239
13			1	2,000	1	2,500	8	11,700	13	1,521
14	3	5,400	1	2,000			19	20,880	14	2,923
15					1	2,500	17	20,380	15	3,057
16					1	2,500	13	16,300	16	2,608
17	3	5,400			1	2,500	15	19,420	17	3,301
18	4	7,200	2	4,000			18	26,520	18	4,774
19			2	4,000			10	13,420	19	2,550
20	2	3,600	2	4,000	1	2,500	19	26,000	20	5,280
21			2	4,000			9	11,920	21	2,503
22							8	11,600	22	2,552
23	6	10,800	1	2,000			19	27,540	23	6,334
24			1	2,000	1	2,500	10	12,920	24	3,101
25	3	5,400	1	2,000			15	20,100	25	5,025
26							4	4,000	26	1,040
27							3	2,800	27	756
28							4	4,200	28	1,176
29	1	1,800					4	4,600	29	1,334
30							2	2,200	30	660
31							2	2,400	31	744
32							1	900	32	288
33							1	600	33	198
34			1	2,000			1	2,000	34	680
Total	29	52,200	26	52,000	15	37,500	467	569,840		72,171

TABLE IV.—*Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil-service employ July 1, 1903, upon attaining the retirement age of 70 years, the amount of annuity to be 1 per cent of the employee's salary July 1, 1903, for each year of service completed prior to that date.*

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$483,407	1930	$1,109,321	1953	$322,713
1908	541,227	1931	1,133,249	1954	268,870
1909	605,459	1932	1,142,023	1955	221,118
1910	683,493	1933	1,149,590	1956	179,587
1911	771,454	1934	1,156,402	1957	144,031
1912	839,150	1935	1,157,365	1958	113,965
1913	913,807	1936	1,163,008	1959	88,898
1914	977,616	1937	1,164,374	1960	68,300
1915	1,017,701	1938	1,157,983	1961	51,623
1916	1,047,179	1939	1,145,695	1962	38,333
1917	1,052,755	1940	1,123,149	1963	27,923
1918	1,043,316	1941	1,090,282	1964	19,918
1919	1,033,828	1942	1,045,459	1965	13,886
1920	1,023,091	1943	995,220	1966	9,436
1921	1,021,234	1944	937,466	1967	6,236
1922	1,008,106	1945	876,001	1968	3,981
1923	1,036,453	1946	807,893	1969	2,465
1924	1,031,244	1947	735,455	1970	1,466
1925	1,033,812	1948	660,389	1971	834
1926	1,037,059	1949	586,216	1972	453
1927	1,047,788	1950	515,157	1973	231
1928	1,059,445	1951	446,084	1974	109
1929	1,078,201	1952	381,847		

TABLE V.—*Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil service employ July 1, 1903, upon attaining the retirement age of 70 years, the amount of annuity to be 1 per cent of the employee's salary July 1, 1903, for each year of service which he had completed prior to that date, provided the term of service was at least six years.*

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$473,417	1928	$985,718	1949	$408,487
1908	529,422	1929	1,003,870	1950	344,270
1909	591,529	1930	1,032,453	1951	285,610
1910	667,332	1931	1,054,020	1952	235,460
1911	752,403	1932	1,060,824	1953	191,048
1912	817,337	1933	1,064,840	1954	153,824
1913	888,989	1934	1,069,325	1955	121,308
1914	949,328	1935	1,066,524	1956	94,089
1915	986,452	1936	1,068,272	1957	71,669
1916	1,013,903	1937	1,063,392	1958	53,509
1917	1,017,987	1938	1,049,748	1959	39,073
1918	1,006,431	1939	1,030,399	1960	27,871
1919	995,560	1940	999,380	1961	19,355
1920	984,291	1941	959,356	1962	13,051
1921	981,175	1942	905,820	1963	8,520
1922	967,674	1943	845,492	1964	5,365
1923	961,197	1944	778,331	1965	3,244
1924	956,986	1945	706,132	1966	1,877
1925	960,257	1946	631,810	1967	1,036
1926	963,907	1947	554,930	1968	543
1927	975,211	1948	479,001	1969	272

TABLE VI.—*Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil-service employ July 1, 1903, upon attaining the retirement age of 65 years, the amount of annuity to be 1 per cent of the employee's salary July 1, 1903, for each year of service completed prior to that date.*

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$1,250,214	1930	$1,810,332	1953	$324,659
1908	1,366,287	1931	1,919,848	1954	269,508
1909	1,469,602	1932	1,924,330	1955	221,324
1910	1,543,083	1933	1,919,193	1956	179,663
1911	1,602,946	1934	1,906,596	1957	144,046
1912	1,631,268	1935	1,880,566	1958	113,965
1913	1,639,801	1936	1,840,523	1959	88,898
1914	1,646,298	1937	1,783,831	1960	68,300
1915	1,649,451	1938	1,718,362	1961	51,623
1916	1,662,187	1939	1,640,014	1962	38,333
1917	1,658,868	1940	1,556,048	1963	27,923
1918	1,706,504	1941	1,460,839	1964	19,918
1919	1,710,017	1942	1,357,292	1965	13,886
1920	1,721,646	1943	1,247,663	1966	9,436
1921	1,732,458	1944	1,137,466	1967	6,236
1922	1,751,334	1945	1,027,692	1968	3,981
1923	1,770,133	1946	918,581	1969	2,465
1924	1,797,012	1947	814,074	1970	1,466
1925	1,839,205	1948	714,847	1971	834
1926	1,872,004	1949	621,503	1972	453
1927	1,885,171	1950	535,494	1973	231
1928	1,896,630	1951	457,363	1974	109
1929	1,871,137	1952	387,170		

TABLE VII.—*Maximum amount of annual appropriation by the Federal Government necessary to provide a monthly annuity to each person in its classified civil-service employ July 1, 1903, upon attaining the retirement age of 65 years, the amount of annuity to be 1 per cent of employee's salary July 1, 1903, for each year of service which he had completed prior to that date, provided the term of service was at least six years.*

Year.	Amount of appropriation.	Year.	Amount of appropriation.	Year.	Amount of appropriation.
1907	$1,218,009	1928	$1,761,016	1949	$411,042
1908	1,330,239	1929	1,767,485	1950	345,302
1909	1,428,415	1930	1,764,702	1951	286,138
1910	1,497,329	1931	1,767,453	1952	235,696
1911	1,553,774	1932	1,763,368	1953	191,112
1912	1,579,429	1933	1,747,649	1954	153,824
1913	1,584,270	1934	1,724,614	1955	121,308
1914	1,588,128	1935	1,686,216	1956	94,089
1915	1,589,692	1936	1,635,361	1957	71,669
1916	1,599,995	1937	1,565,736	1958	53,509
1917	1,595,386	1938	1,485,392	1959	39,073
1918	1,597,214	1939	1,393,929	1960	27,871
1919	1,600,287	1940	1,294,677	1961	19,355
1920	1,611,307	1941	1,188,699	1962	13,051
1921	1,621,020	1942	1,076,686	1963	8,520
1922	1,639,126	1943	963,243	1964	5,365
1923	1,655,043	1944	854,314	1965	3,244
1924	1,679,587	1945	750,415	1966	1,877
1925	1,717,252	1946	654,053	1967	1,036
1926	1,746,579	1947	565,328	1968	543
1927	1,755,262	1948	484,345	1969	272